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NEWS SUMMARY

GENERAL

Oil rig wreck threat to pipes

Oil and Government officials are waiting in Stavanger to begin their inquiries into the cause of the North Sea oil rig disaster. The rig's severed leg is being towed to the Norwegian port for examination. No definite plan for moving the remainder of the rig has been made yet, but a decision will have to be made soon as the wreckage presents a hazard to surrounding underwater pipelines. The search for survivors was abandoned at the weekend with 82 men still missing. Eighty-nine men were saved, and 21 bodies have been found. Back Page

Ceasefire over

Ceasefire between rival Muslim armies in Chad lasted less than three hours. Diplomats and staff left the French Embassy in N'djamena and fled to a French-held airfield.

Mantovani dies

Annunzio Paolo Mantovani, the musician known throughout the world simply as Mantovani, died in a nursing home at Tunbridge Wells, Kent, aged 74. He had been ill for several years.

U.S. keeps bases

Major step towards securing Western interests in the Mediterranean was made when Turkey agreed to the continued use of U.S. military facilities there in aid for military and economic aid. Page 2

NCC attacked

Mrs. Sally Oppenheim, Consumer Affairs Minister, rebuked the state-financed National Consumer Council for being too politically motivated. Page 5, Back Page

Thousands mourn

Troops were confined to barracks and a police leave cancelled when more than 10,000 people took to the streets in El Salvador for the funeral of murdered Archbishop Oscar Romero.

Arson move

Police investigating arson attacks on holiday homes arrested more than 30 people during dawn raids on houses throughout Wales. Police would not say if any had been charged.

Soviet troops

Afghan leader Babrak Karmal said there were about 15,000 Soviet troops in his country. Western reports have put the figure at 80,000.

Shah recovering

Surgeons who removed the exiled Shah's enlarged spleen are confident he will make a full recovery and be able to leave the military hospital in Cairo in about 10 days. Page 2

President's death

Vietnamese President Ton Duc Thang, holder of the largely ceremonial post since 1969, died aged 91.

Mower power

Consultant psychiatrist Dr. Tony Whitehead plans to raise money for Brighton General Hospital and claim a world record by pushing an air-cushion lawn mower for 53 miles between London and the Sussex town in two days next month.

Briefly...

Prince Charles arrived in Canada for an official tour. Two skiers missing overnight in the Scottish Highlands were found safe by an RAF helicopter crew.

BUSINESS

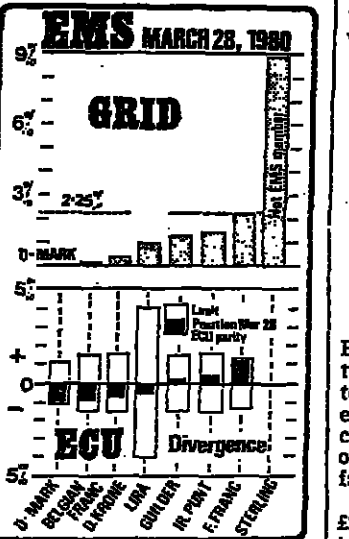
Aston Martin in new MG talks

ASTON MARTIN has given up trying to acquire the MG Cars name from B.L. Instead, at a meeting in London today, it will aim to conclude a deal to make the MGB sports car under licence. Back Page

GOVERNMENT is to consider major reforms in the financial control of nationalised industries and in the definition of public sector borrowing. Back Page

GERMAN D-Mark finished as the weakest member of the European Monetary System on Friday. The currency was under particularly heavy pressure against the dollar last week, requiring support by the Bundesbank on most days. This led to a decline by the D-Mark against the EMS partners.

The Belgian franc was the second weakest EMS member, but has required much less intervention by the Belgian National Bank in the last two weeks, leading to comments that the central bank is winning the battle to defend the franc without resorting to devaluation. The Danish krone was also weak, slightly firmer than the Belgian franc and D-Mark. The Irish punt improved quite sharply to become the second strongest currency behind the very firm French franc.



The chart shows the two constraints on the European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lire) may move more than 2 1/2 per cent. The lower chart gives each currency's divergence from its 'central rate' against the European Currency Unit (ECU), itself a basket of European currencies.

ITALY'S economic growth is likely to almost halt in the second half of this year, with the unemployment rate rising above 8 per cent, says the OECD annual report on the country. Back Page

WEST GERMANY has been presented with a bleak picture of higher prices, slower industrial growth and thinner order books, in a series of statistics and economic forecasts. Page 2

EUROPEAN COMMISSION has instructed the EEC's 11 major man-made fibre groups to revise the dumping complaint lodged with Brussels against U.S. polyester filament yarn producers. Page 3

UK GOLD and foreign exchange reserve figures for the end of March, to be published on Wednesday, are expected to show a sharp rise. Page 4

CONSULTING engineers' overseas fees, which make a big contribution to UK invisible earnings, are in jeopardy, says their association. Page 5

FINANCIAL TIMES Grocery Price Index rose by 1.86 per cent in March because of a sharp increase in the price of canned goods, fresh fruit and vegetables. Page 5

CHINA is to issue foreign residents and visitors with currency coupons from tomorrow in an attempt to stop currency black marketing. Page 2

Steelmen may get higher rise than 'final' BSC offer

BY CHRISTIAN TYLER, LABOUR EDITOR

THE CONCLUSIONS of the public inquiry into the steel dispute will be put to the British Steel Corporation and trade union leaders this morning after a weekend of public hearings. There were signs last night that the striking steelworkers will be given a pay award larger than the BSC "final" offer.

Lord Lever, chairman of the three-man committee of inquiry into the 13-week strike, said he hoped to reach a tentative verdict last night on the unions' wage demands in a private session of the committee. That would be put to the unions and management this morning. If it is not acceptable to both sides the committee's deliberations may continue.

Lord Lever said as he left the Government building at Vauxhall where the hearings were held that he did not regard the corporation's argument that it could not pay any more money as more than a negotiating tactic.

He said: "Of course the committee will take into account the ability of the corporation to pay, the consequences of paying, whether that will mean higher prices, lost trade, less capital expenditure, debt, lost jobs and so on. But the simplistic proposition that there is no money in the bank is better relegated to the area of negotiating dialectic."

Descriptions of the corporation as "bankrupt" or "bust" were emotive and populist but not absolutely decisive. At the same time there was no point in the committee saying to the management that it should turn out its pockets if there was no money to make an award.

The committee would be "banging our notes together" and reviewing what he described as a huge weight of paper. The committee's brief is to decide between the BSC's offer of a 10 per cent general pay increase with another 4 per cent at least in return for job losses and productivity improvements at works level, against the unions' claim for 14 per cent nationally and 5 per cent locally.

The day ended with the unions urging Lord Lever to recognise that unless the committee increased the BSC offer morale and incentive in the steel industry would be destroyed and its management would have no chance of restoring the corporation to viability.

Craft unions are ready to call off the strike on behalf of their 40,000 members (out of 130,000 on strike) as soon as the committee unveils its decision. However, the main protagonists, the Iron and Steel Trades Confederation and the National Union of Blastfurnacemen, will take the recommendations back to their negotiators and then to their national executive committees before lifting the strike.

Yesterday began well for the corporation as the committee probed the unions' willingness to take pay rises in return for productivity concessions. But later BSC executives were cross-examined and chided by the chairman for failing to produce what he called a realistic balance-sheet. By the end of the proceedings the unions were hopeful that the BSC's commercial logic might be overtaken by the need for an industrial relations settlement.

Winding up the public part of the hearing Lord Lever congratulated the parties on their moderation, adding that he felt "a deep compassion" for both sides in the industry and hoped that there would be a powerful steel industry in Britain for many long years.

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U.S. seeks to bid for computer contract

By Guy de Jonquieres

U.S.-OWNED computer companies are strongly pressing the British Government to allow them to compete against ICL in bidding for contracts to supply the Inland Revenue with a large computer system worth up to £100m.

At present, non-British computer manufacturers are barred from competing for large central government projects by the preferential procurement policy, which requires that such contracts be awarded to ICL, provided it can meet specified prices and performance.

The U.S. companies argue, however, that the Inland Revenue project is among the biggest ever undertaken by a public authority in Europe and point out that ICL has never before installed a computer system of this size.

They contend the Inland Revenue's needs will be met more effectively if it is able to select from a range of proposals submitted by several bidders.

If these arguments are accepted by Sir Keith Joseph, the Industry Secretary, they could present him and other members of the Cabinet with a delicate choice between a commitment to stimulate competition or to give support to Britain's own computer industry.

At present, the feeling in the Industry Department appears to be in favour of restricting the bidding to UK suppliers. ICL has said that it intends to put forward an "all British" proposal in partnership with several smaller hardware manufacturers.

The decision is complicated by the Government's obligation, under both EEC and GATT rules, to abolish its preferential procurement policy at the end of this year—several months before the initial contracts for the Inland Revenue scheme are due to be put out to tender.

The Industry Department appears to consider that the project none the less falls within the scope of the preferential arrangements because the so-called operational requirements, specifying details of the scheme, will be issued this year.

This interpretation is not shared by most of ICL's would-be competitors, including IBM, Burroughs and Sperry Univac. ICL's competitors admit that it has sufficiently advanced machines to handle the Inland Revenue's requirements but claim that it is weak in software, which could account for as much as half the total cost of the project. ICL contends, however, that it is fully up to the task.

Confusion on U.S. hostage initiative

BY DAVID BUCHAN IN WASHINGTON AND SIMON HENDERSON IN TEHRAN

THE U.S. appeared last night to have launched a new effort with some of its European allies—to win the release of the Tehran embassy hostages held for the past five months.

But some confusion surrounded the diplomatic moves. The White House issued denials of the Iranian version of the peace overture.

It is also believed that the Carter Administration is considering new action against Iran if the hostage deadlock is not broken quickly. For example, the formal proclamation of trade sanctions, in existence since the beginning of the year.

Mr. Sadeq Ghotbzadeh, the Iranian Foreign Minister, repeated on American television yesterday Iranian claims that he and President Abol Hassan Bani-Sadr had received a message from President Jimmy Carter about the hostages.

Mr. Ghotbzadeh said the message had been passed in Farsi translation to Iran's spiritual leader, Ayatollah Ruhollah Khomeini. American officials have stuck to a statement on Saturday by Mr. Jody Powell, the White House Press secretary, that there has been no direct communication between President Carter and the Ayatollah.

But they have avoided denying a Swiss Government statement that its charge d'affaires in Tehran delivered a message from President Carter to President Bani-Sadr.

Mrs. Margaret Thatcher, the Prime Minister, has sent a message to President Bani-Sadr, appealing for the hostages' release, a Downing Street spokesman said yesterday.

The German Government said a similar message had been sent over the weekend by Chancellor Helmut Schmidt. It was disclosed that a communique referring to the hostages had been sent by Denmark, on behalf of a meeting of Nordic Foreign Ministers in Helsinki last week.

Mr. Ghotbzadeh called the thrust of the alleged letter from Mr. Carter "very constructive and balanced." He regretted its impact might be lost because of the White House denial.

He said on ABC Television that the Ayatollah's office should first have informed the U.S. before releasing the text of the message.

He speculated the White House was forced to disavow the message because its content might be interpreted, by the American electorate, as too soft towards Iran.

The document released by the Ayatollah's office called for the setting up of a U.S.-Iranian commission to review problems in their relationship, after the hostages had been transferred to custody of the Tehran Government.

In notably conciliatory language, the purported message said the U.S. had a history of "admitting its mistakes."

It is plausible Mr. Carter could have made both these points in recent contacts known to have taken place. For instance, the administration has not objected to a U.S. Senate plan to write up a "white paper" on past American links with the Shah's regime.

Although the U.S. is considering new action, it does not want to drive Iran into the Soviet Union's embrace or endanger the hostages by pre-emptory action.

A last-minute overture, possibly backed by NATO allies as reports from Europe would suggest, would not be out of order.

Ayatollah Khomeini's son, who looks after the Iranian leader's office, referred to the U.S. denial as a lie and much of the letter was lies.

President Bani-Sadr said Mr. Carter had not yet understood the Islamic revolution in Iran, otherwise he would know that nothing was concealed from the public.

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The letter is said to have been delivered to President Bani-Sadr and Mr. Ghotbzadeh last Wednesday. Mr. Ghotbzadeh apparently handed it in at the Ayatollah's residence last Friday.

The contents of the message may have been in sympathy with the President and Foreign Minister, who have been trying to resolve the crisis.

The U.S. is seen by Tehran diplomats as trying to back up the President so he can ask the Ayatollah to support him in ruling the country.

In publishing the letter, Khomeini is seen as seeking the approval of the Iranian nation before taking action.

The most immediate reactions in local newspapers were unenthusiastic. The Islamic Republic newspaper, which opposes President Bani-Sadr, said President Carter's letter showed U.S. diplomacy had reached a dead end.

Iran reiterates idea of regional talks, Page 2

British Airways predicts maximum profit of £1m

BY LYNTON McLAIN

BRITISH AIRWAYS' profit for the financial year which ends today has been almost eliminated by higher than forecast fuel costs and the impact of the move towards cheap fares.

As a result, the airline's £28.4bn investment programme in new aircraft has been cut back.

The out-turn for 1979-80 is a profit of just £1m. This compares with the near-record profit of £110m before interest and tax which the airline made in 1978-79. Early last year BA forecast a profit this year of £157m, but as fuel costs escalated and profits from cheap fares fell away they were down-

graded to £35m in January. Since then matters have worsened.

Complete figures are not yet in but the airline said last night that the profit, if any, was certain to be "marginal."

Mr. Roy Watts the airline's chief executive said BA was now "right on the limit of profitability."

The final results, to be published in the summer, could even show a loss of £1m. However, if this happens, the airline is understood to be considering adjusting the rate of depreciation for its aircraft fleet to keep the airline in the black.

The outlook for 1980-81 is also bleak unless fares are raised substantially.

The decision to revise spending plans has come at a bad time. The new aircraft were needed to meet passenger growth and to replace existing inefficient and noisy aircraft, which will be banned from flying by new noise regulations in 1986—when the BA programme was to have been completed.

The BA board is also worried about the effect its changed fortunes will have on potential private sector investors.

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OVERSEAS NEWS

Gloomy forecasts for W. German economy

BY ROGER BOYES IN BONN

WEST GERMANY was presented with a bleak picture of higher prices, slower industrial growth and thinner order books, in a series of statistics and economic forecasts issued at the weekend.

But Bonn can take comfort from one important development — the powerful public service union, which groups over 2m workers, has agreed to settle for the relatively modest 6.3 per cent wage increase offered by the Government.

Additional holiday allowances and benefits for the lower-paid will effectively push the increase up to 6.8 per cent — but this is still good news for the Government. Earlier in the wage round, the union had threatened a strike if the Government did not come closer to its 9 per cent demand. This would have been a damaging blow to the ruling coalition in an election year.

The settlement, coupled with IG Metall's earlier acceptance of a 6.8 per cent rise, will permit across-the-board wage

to be kept reasonably in check this year. Bundesbank and Government officials have already indicated that average wage settlements of over 7 per cent could seriously affect Germany's planned growth.

However, the news from other economic fronts is far from encouraging. According to preliminary statistics, the cost of living in March rose to 5.8 per cent (year to year).

That figure reflects comparisons with an extremely low level of inflation at the beginning of 1979, but it is none the less disturbing. It is the first time, for example, since October 1975, that such a high yearly rate has been reached; it is also a large jump (0.6 per cent) from February this year.

The crossing of the 5 per cent inflation threshold last year seemed extremely disturbing to German politicians. Yet the cost of living increase now hangs perilously close to the 6 per cent mark.

The authoritative IFO insti-

tute's latest analysis of business plans and expectations is scarcely less reassuring for the Government.

Although the IFO's survey of manufacturing industries revealed a measure of confidence — confidence, for example, that basic producer prices should soon begin to slow — all the signs are that production will seriously slacken in the coming year.

The demand for cars is thus expected to drop by some 10 per cent, effectively signifying the end of the four-year motor boom, and the textile and shoe industries will also see slower production growth. The investment climate is good, however, and this will increase demand for capital goods and benefit such sectors as the electronics industry.

IFO expects overall production in manufacturing industry to grow this year by only 2 per cent, compared with a 5 per cent increase in 1979.



Mr. Nicolae Ceausescu

Ceausescu gives wife top post

By Paul Lendvai in Vienna

President Nicolae Ceausescu's wife, Elena, on Saturday was appointed Deputy Prime Minister, further increasing the unprecedented personal power of the Ceausescu family. The 60-year-old Mrs. Ceausescu also belongs to the key inner ruling circle, the permanent bureau of the Political Executive Committee and also chief of the crucial Central Committee Commission for Cadres. A chemical engineer by training, Mrs. Ceausescu in June last year entered the Government as chairman of the National Council on Science and Technology.

Ceausescu's 27-year-old son, Nicu Ceausescu, also rose to his first important state position, becoming one of the six secretaries of Romania's parliament. Since 1976, Nicu has also been a secretary of the Communist Youth Union, and at the last party congress he was elected an alternate Central Committee member. A brother of Mrs. Ceausescu, Mr. George Petrescu was re-elected by Parliament as secretary of state in the Ministry of Machine-Building, with the rank of cabinet member.

Mr. Ion Dincă was also promoted to First Deputy Premier, while Mr. George Oprescu, an economic expert, retained his position. There are now three First Deputy Premiers and nine Deputy Premiers.

Turkey, U.S. sign accord on bases

BY DAVID TONGUE IN WASHINGTON

A MAJOR step towards underpinning Western interests in the Mediterranean was made this weekend, when the U.S. and Turkey signed an agreement covering the future of the U.S. bases in Turkey. The Defence and Economic Co-operation Agreement assures the U.S. of continued use of its military facilities, in exchange for military and economic assistance.

The agreement was signed in Ankara by Mr. James W. Spain, U.S. Ambassador, and Mr. Hayrettin Erkin, the Turkish Foreign Minister. It consists of a framework agreement and three main annexes covering defence support, security arrangements and co-operation on building up Turkey's defence industries.

The facilities include one air base at Incirlik, in southern Turkey, four intelligence-gathering installations, and

seven communications stations. In the past, these provided about a quarter of the hard intelligence the U.S. obtained on Soviet missile launches, but they were closed by Turkey in July 1975 in protest at the arms embargo imposed by the U.S. Congress after Turkey invaded Cyprus.

After the embargo was lifted, in August 1978, Turkey allowed the U.S. temporarily to use the bases pending new agreement. A Turkish Foreign Ministry statement said the installations could be used by the U.S. "only within the NATO framework." The Americans would have like to use the bases for operations further afield in the Middle East, a point all the more important now, given the snags it is beginning to run into about obtaining other bases which could be used in this way.

But Turkey, worried about its

relations with Iran and the Arab states, has long insisted on limiting U.S. rights in this area. U.S. officials in Washington say they are prepared to restart negotiations with Greece for a parallel agreement to cover the future of U.S. bases in Greece.

However, the Greeks insist that first the problems of their reintegration into the military wing of the North Atlantic Treaty Organisation must be solved — and underline how developments in Yugoslavia and the rise of the opposition to the Atlantic alliance in Greece make early resolution of this problem important.

The Greeks suggest the alliance could insist on Turkey accepting Greece's reintegration before the various problems in the Aegean have been solved. They claim that alliance members have the right to veto only new members.



Mr. Hayrettin Erkin, Turkey's Foreign Minister

Turkish aid package expected by mid-April

BY OUR BONN STAFF

WEST GERMANY believes that the \$1.1bn multinational rescue package being prepared for Turkey will be finalised by the middle of April, despite disagreement about the aid among members of the Organisation for Economic Co-operation and Development.

The OECD failed to clinch the aid programme in a meeting in Paris last week, but Herr

Hans Matthöfer, the German Finance Minister, said yesterday that he was confident that agreement could be reached by the next meeting on Turkey on April 15. At that meeting, it is hoped, Japan and Canada will be among other countries able to make pledges, bringing the total package to more than last year's \$900m.

Herr Matthöfer, speaking

shortly after his return from Ankara, also indicated that Bonn may be prepared to pay more than the U.S. towards the aid package — a departure from Germany's previous position that Washington and Bonn should make equal allocations. The U.S. he said, had agreed to pay \$200m. The German contribution "would be at about the U.S. level, though

it may be a little higher," he added.

The German Government has stressed that Turkey must be helped because of its strategic importance to NATO and the West, but it has repeatedly made clear that it does not want to be viewed as the world or European leader on the aid package.

Tankers to transport Statfjord oil

By Fay Gjerster in Oslo

OIL FROM the Anglo-Norwegian Statfjord field will be brought ashore by tankers, not by pipeline, throughout the life of the field, the Norwegian Government confirmed on Friday. It formally approved this solution because of the high cost of an oil line, which would have added \$1.5bn to \$3bn to Statfjord's development costs.

The Government also recommended Storting (parliamentary) approval of British Petroleum's plans to develop its small Ula oil and gas field, 65 kilometres north-west of the main Ekofisk field. The field's recoverable reserves are estimated at 20m tonnes of oil and 2bn cubic metres of gas.

Another foreign oil company has also sought government permission to develop a small gas field in Norway's sector, despite earlier suggestions that development would be postponed or dropped if the Government did not change its plans to increase oil taxes.

White House launches attack on Mobil

BY DAVID LASCELLES IN NEW YORK

THE U.S. Administration has accused Mobil, the second largest U.S. oil company, of violating the voluntary price guidelines as part of its attempt to shame company into complying with its anti-inflation policy.

In a sharp attack at the end of last week, President Jimmy Carter also publicly accused Mobil of refusing to lower its

prices after overcharging by about \$45m. The Government may thus now refuse to award Federal fuel contracts to Mobil.

Mobil hit back by saying Mr. Carter's charges were politically motivated, and by claiming its price rises were justified. Mobil does not pull its punches in political debates, and it may well let off some resounding anti-government broadsides in the days to come.

NY transport strike talks

BY OUR NEW YORK STAFF

LAST-MINUTE talks were being held here last night to avert a strike by most of New York City's bus, underground and railway workers. The union said they would walk out at midnight tonight unless the Metropolitan Transportation Authority came up with acceptable terms for a new wage contract.

Mayor Edward Koch has

issued emergency regulations to ease what are expected to be chaotic traffic conditions if the strike goes ahead. Special car pool arrangements are being made as no cars will be allowed across most of Manhattan's bridges and tunnels unless they contain at least two people.

The city has obtained a court order barring transit workers from striking.

These are the reasons why Volvo trucks are more economical.

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Amazingly, incorrect driving techniques can increase fuel consumption by 50%!

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Excellent parts availability.

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rescue service. And the Volvo

Service Exchange System

which not only saves on work-

shop time and parts stocking

but can also mean a 50% saving

on the parts themselves.

These are just some of the

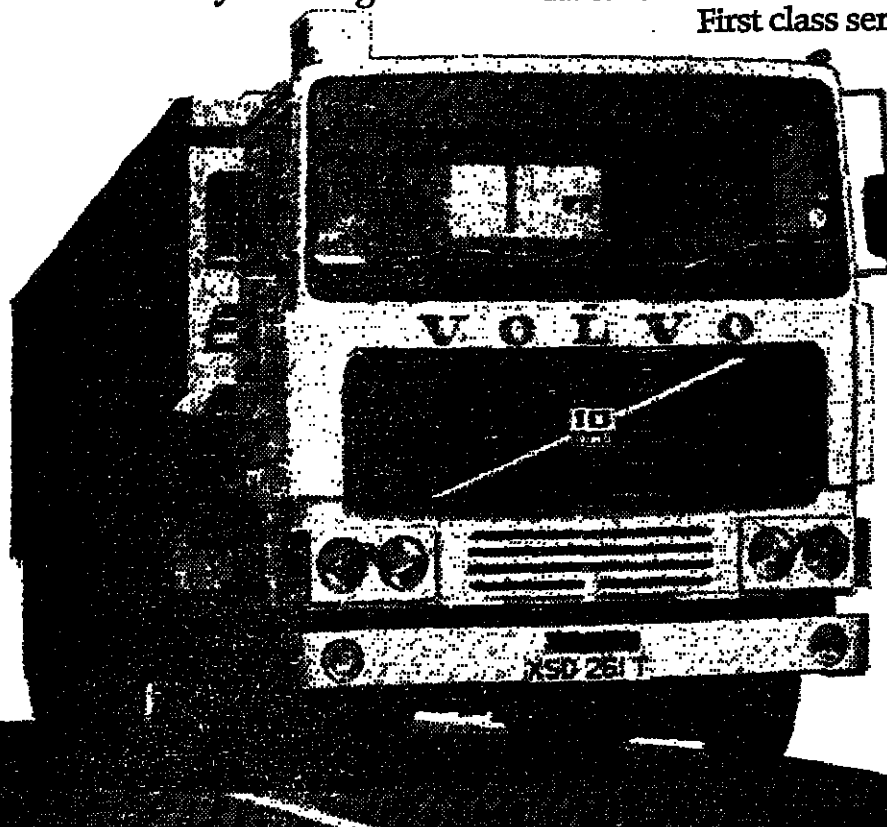
reasons for Volvo economy.

Add them together, then

include a Volvo truck's excep-

tional re-sale value and the

total saving is very significant.



The truck other trucks are measured against.

Teargas at Shah protest

BY DAVID LENNON

POLICE FIRED teargas at students in Asyut in Upper Egypt on Friday when they demonstrated against the presence in the country of the deposed Shah of Iran.

This was the second protest by Egyptian students in the past week against President Anwar Sadat's invitation to the former Iranian ruler. On Tuesday, a group of students at Cairo University also demonstrated against the Shah. Local observers did not expect the unrest to spread.

In Asyut, a number of students were injured after they tried to carry their protest out of the campus into the surrounding streets.

Dr. Michael Debaquey, the U.S. heart surgeon who headed a team which operated on the Shah on Friday, said that following the removal of the Shah's enlarged spleen the patient was "very satisfactory."

The doctor added that he "should be able to lead a perfectly normal life... he can play tennis and things like that."

Currency coupons to be issued in China

BY TONY WALKER IN PEKING

FOREIGNERS visiting China, as Hong Kong.

The new regulations will not prevent foreigners using Chinese money at shops not reserved for foreigners.

Coupons will also have to be used in China for buying rail and air tickets.

The measures are similar to those introduced by the Czechoslovak authorities to curb rampant black marketeering in the early 1970s.

According to the State Council — the Chinese Cabinet — foreign exchange certificates will be valid for specific purposes only in China.

They will be issued to travellers on their arrival and will be in denominations ranging from Ren 10 (about 2p) to Yuan 100 (£29).

Short-term visitors will be able to cash the foreign exchange certificates when they leave China.

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World Business

BY SIMON HENDERSON IN TEHRAN

IRAN HAS countered Soviet denials of an agreement in principle for talks on Afghanistan by reiterating its claim that Moscow accepts that the problem should be solved among the countries of the region.

Last week TASS, the Soviet news agency, accused Iran of misrepresenting Moscow's position when Mr. Sadeq Otbazadeh, the Foreign Minister, had envisaged talks between the Soviet Union, Afghanistan, Afghan rebels, Pakistan and possibly China.

But an Iranian Foreign Ministry statement at the weekend repeated that both Moscow and Tehran believed the issue should be solved peacefully and considered as a regional problem.

It also went on to say that any logical and practical solution would need the full agreement of the Afghan rebels.

This would clearly be unacceptable to Moscow. But reports quoting Western diplomats have suggested that the Soviet Union might want regional talks after it consolidated its position in Afghanistan.

The new Iranian statement leaves it unclear whether Iran is seeking talks or trying to support the Afghan rebels. In the past little material help has been given to rebels who have sought sanctuary in Iran.

Mr. Otbazadeh's style of diplomacy has come in for some criticism in the Persian press in the past few days. Two sacked senior aides sharply attacked him for not keeping his own ministry informed, conducting serious international talks by telephone and not keeping notes of what he said.

NOW HELP US TELL AMERICA ABOUT ITALY

Today's Financial Times survey is going to appear a second time — in World Business Weekly on May 6th.

World Business Weekly is a close relative of the FT — it is published each Monday in New York as a 64-page magazine containing news items and background on world business trends. Material from the Financial Times is specially selected and re-edited for the internationally-minded business community of North and South America.

Since its launch in October 1978 "WBW" has attained a weekly circulation of 20,000, predominantly in the USA, with a wide distribution among the different business centres. It is rated as a first-class guide to what is happening in the business world outside America.

On May 6th a specially condensed and adapted version of today's Survey will tell America all about Italy.

If you would like to help us tell the story by taking advertising space in WBW, get in touch at once with:

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FINANCIAL TIMES OF LONDON

World Business Weekly

Forced Auction No. 3 DLB "Sea-Troll"

Self propelled derrick Lay Barge "Sea-Troll", built 1976 Blohm and Voss, Hamburg, will be sold on compulsory auction in the Council House of Lyngdal, Norway, on April 28th, 1980 at 12 noon. 1800/1400 tons heavy lift "Clyde" rotating crane and pipe laying system for handling 60 ft. pipe lengths of diameter 8 to 60 inches. 5 16 cys Pielstick, b. 1976 each driving 4200 kw. generator. Double shaft, variable pitch propellers — 8 knots transit speed. May be seen in Rosshord, Lyngdal, Norway. Further information:

Mr. Floethum. Tel: (045) 41888, Stavanger

Telex: 33316

Lyngdal District Court, Farsund, Norway

Small text at the bottom of the Volvo advertisement, likely containing contact information for Volvo Trucks in various regions.

UK NEWS

Spending cuts come under close scrutiny

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE COMPOSITION of the public spending cuts and the economic assumptions behind the Government's medium-term financial strategy are likely to be closely scrutinised later this week by an all-party committee of MPs.

In its first major economic inquiry, the Treasury and Civil Service Committee is due to question senior Treasury officials on Wednesday as a prelude to a public session in a fortnight's time with Sir Geoffrey Howe, the Chancellor of the Exchequer.

The inquiry is being regarded as a significant indicator of how the committee intends to deal with the Treasury—illustrating both the breadth and depth of its interest and the extent to which it will press for information.

The special advisers to the committee are: Dr. Alan Budd,

of the London Business School; Mr. Terry Ward, Department of Applied Economics at Cambridge; Dr. Paul Neild, of stockbrokers Phillips and Drew; and Mr. John Kay, Institute for Fiscal Studies. They have been preparing memoranda on the Budget and on the public spending White Paper.

The advisers have widely differing views on economic policy. Mr. Ward has been the most critical about the Government's approach, while Dr. Budd has been one of the main advocates of the type of medium-term financial strategy now adopted.

Since the Budget Phillips and Drew has already warned in a special report that the "reduction of inflation through sole reliance on monetary policy will be a long and arduous process, and will impose heavy costs on the economy in terms of lost

output and increased unemployment."

The Budget will also face a further test in the City financial markets following the neutral response last week.

The main monetary and fiscal features of the Budget were as expected and, given the uncertainty about when Minimum Lending Rate will decline, gilt-edged prices have fallen slightly.

There has been something of a cat-and-mouse game between the authorities and the market over the price at which the two existing tap stocks will be sold.

There is no immediate pressure to sell stock, though the Government is likely to want to see the funding programmes underway again as soon as Easter is over. Subsequently, a resolution of the current impasse is likely during the next 10 days.

Chairmen's group has new head

By John Lloyd

SIR WILLIAM BARLOW, Post Office chairman, takes over as chairman of the Nationalised Industries' Chairmen's Group tomorrow. He has been chairman-elect for the past year.

He succeeds Sir Francis Tonks, Electricity Council chairman. Sir Derek Ezra, chairman of the National Coal Board, is chairman-elect.

These three will form the group's advisory committee for 1980-81. Sir Peter Parker, who completes his year as past chairman, retired from the committee.

The group secretariat is to be expanded. Mr. James Driscoll, who was group director as well as corporate strategy advisor to the British Steel Corporation, becomes full-time director, with a staff doubled to two.

Major issues facing the group include discussions with the Government on state industries, future financial framework, the return of parts of the industries to the private sector, and wage policy.

The group has expressed concern about the tight cash limits for some industries. The White Paper on expenditure plans, published last week, relaxed these limits in some cases.

Returning businesses to the private sector affects individual industries rather than the group as a whole. But it is likely to come up at discussions with Ministers if there is to be widespread selling of assets.

The chairmen are concerned that the high level of many pay settlements will fuel inflationary expectations for the 1980/81 wage round.

Callaghan says the Budget condemns British industry

BY PHILIP RAWSTORNE

THE GOVERNMENT'S Budget policies would condemn British industry to three years of stagnation and growing unemployment, Mr. James Callaghan said yesterday.

The prospect was of further industrial decline when what was needed to solve the country's basic problems was more competitive aggression and efficiency in industry, he said.

Mr. Callaghan called for measures to stimulate the economy—and outlined an alternative strategy including some form of incomes and prices policy, more industrial democracy, and selective import controls.

Mr. Callaghan's ideas will be discussed at a meeting today of the Labour Party-TUC Liaison Committee which is expected to concert and intensify opposition to the Government's economic programme.

They will also compose the main thrust of Labour's attack

in the last two days of the Commons Budget debate.

The Labour leader — interviewed on ITV's Weekend World programme — said that the Government's dogmatic adherence to monetarism was not going to cure the long-standing industrial problems.

The Government could increase its borrowing requirement by £2bn and spend more on large-scale public projects that would give a stimulus to the construction industry.

Indirect taxes could be reduced, with a consequent impact on the Retail Price Index and the level of wage claims.

This need not involve any increase in income tax, Mr. Callaghan claimed. However, the Labour leader said that Britain's economic recovery should be pursued through an industrial rather than a financial approach.

An incomes policy could help to relieve the "excessive

burdens" imposed by the use of monetary policies alone, Mr. Callaghan said.

"But we've got to convert the trade unions back to some kind of prices and incomes approach," he said. "I have started the process already."

An incomes policy could only work if it were part of an overall strategy, Mr. Callaghan said.

Industrial democracy would be a vital element. It would involve workers much more in decision making in industry, enable them to relate their own earnings and wage increases to the levels of investment and profitability.

Mr. Callaghan criticised the negative attitude of the Confederation of British Industry towards worker participation.

He rejected blanket import controls but said they should be used selectively wherever unrestricted imports were a serious threat to the country's manufacturing industry.

Tankers dispute settled

By Our Belfast Correspondent

TWO SUPER tankers which were built by Harland and Wolff in Belfast at a cost of £58m have been accepted by their U.S.-based owners after a two-year dispute.

The vessels, both of 333,000 tonnes, are the largest ever to be built in a British shipyard, but have been lying idle at Loch Striven in Scotland since arbitration proceedings were started in 1978.

The Coastal Corporation of Texas said agreement had been reached between two of its UK affiliates and Harland and Wolff to end the arbitration.

It said the two companies, Woodstock Shipping and Pomona Shipping, would take delivery of the vessels, which would be recommissioned before going on their maiden voyages.

The dispute began in February 1978 when Coastal alleged that the first ship was not completed in accordance with the contract and specifications. Six months later it turned down the second tanker on the same grounds.

Neither party has revealed the financial arrangements involved in the agreement. About £54m of the building costs had been paid to Harland and Wolff in stage payments when the dispute began, leaving only £4m outstanding.

The Rev. Ian Paisley, powerful Democratic Unionist Party said yesterday it was convinced Mrs. Thatcher had ruled out Dublin involvement in any plan for Northern Ireland devolution.

BL reduces Marina prices by 10%

By John Griffiths

THE PRICE of BL's principal fleet sales car, the Marina, is being reduced by 10 per cent. The reduction, which follows price-cutting successes on other models, notably the Maxi, sales of which have more than doubled as a result of the campaign, will last for two months.

It should help to lower the current substantial stocks of Marinas, and will bring BL close to the launch of its substantially revised Marina model in the summer.

BL's price-cutting and its intensive promotional campaigns since January have lifted the company's market share from just over 15 per cent in January to about 23 per cent over the past month.

Councils encouraged to sell premises

BY ROBIN PAULEY

THE GOVERNMENT is encouraging local authorities in Scotland to sell their business premises to the private sector.

Mr. Alex Fletcher, Scottish Industry Minister, said in a BBC television interview that there was no reason why local authorities should not sell their industrial assets to the private sector.

"If that is what the business community wants there is no impediment that I know of to prevent it happening today. We encourage the disposal of public

assets. It is very much Government policy."

Any move to force local authorities in Scotland to sell their industrial assets would meet stiff opposition from Labour-controlled councils. Particularly because of suggestions that the government might allow sales at below market prices.

Opposition to the move in Scotland is being led by Provost Tom Clarke, chairman of the Convention of Scottish Local Authorities.

Workers on average earnings 'will be slightly worse off'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

WORKERS RECEIVING average earnings will be slightly worse off because the Budget, according to calculations published this morning by the independent Institute for Fiscal Studies.

The institute's estimates take into account the effect of the rise in national insurance rates and contributions in April, and the impact of indirect and direct tax changes. The net effect is on average equivalent to a reduction of 0.3 per cent in gross earnings.

Mr. John Kay, the institute's director of research, points out that the important result of the Budget is to alter the future relationship of the retail prices

index with the official tax and price index and the institute's gross earnings deflator (both of which show the rise in gross pay needed to maintain the same real purchasing power).

In 1979-80, the tax and price index and the gross earnings deflator showed lower annual rates of increase than the retail prices index. This was because the real burden of direct taxation was lower than in the previous financial year.

In 1980-81, however, the real burden of direct taxation will be higher than it was in 1979-80. Hence the gross earnings deflator will tend to show annual increases in excess of the in-

crease in the retail prices index. Mr. Kay said that after some peculiar figures from April to June the tax and price index will also show greater increases than the retail prices index.

In 1979-80, trades unions were generally critical of the notion of adjusting the retail prices index for direct taxes. They may see less reason to be critical in 1980-81.

In a further batch of post-Budget City comment several stockbrokers discuss the expected impact of the decline in public-sector borrowing on the amount of debt which will have to be sold outside the banking sector.

Medium-term financial projections in contrast

THE ATTACHED "porcupine" chart has been produced by the Treasury with the intention of showing "the marked bias towards optimism" about the medium-term economic prospects in previous public spending White Papers.

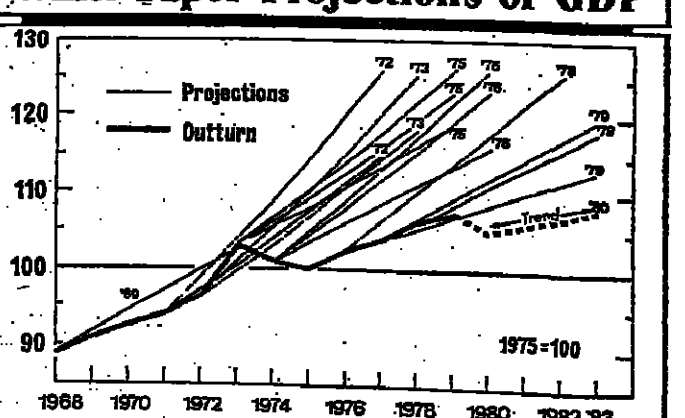
This is contrasted with the "greater realism" of the assumptions in the new medium-term financial strategy.

The chart compares projections or assumptions about real Gross Domestic Product with the latest Central Statistical Office estimates of what actually happened.

The Treasury comments that "the most striking feature of the chart is the marked bias towards optimism. Admittedly, those White Papers which gave a range for GDP growth often stated explicitly that the highest case was considered optimistic, depending upon some hoped-for improvement in economic performance. But actual performance has more often than not fallen below even the lower end of each range."

The commentary argues that it is the "falsely reassuring belief that somehow

White Paper Projections of GDP



the resources will be found to permit an uninterrupted expansion of public expenditure that this Government challenges. In planning public expenditure it is better to be prudent and make a deliberately cautious assumption on the growth of future resources."

It is maintained that the chart "provides a strong argument in favour of greater realism in future medium-term projections, and also

to under-promise, but over-achieve rather than the reverse, as has so often been the case in the past."

"Viewed in this light the relatively low GDP growth assumed in the medium-term financial strategy (an average of 1 per cent between 1980 and 1983, the same as the average over 1973-79) is certainly not an admission of failure. The Government hopes that the economy will be capable of growing faster than this. But the growth cannot be counted on until it is achieved."

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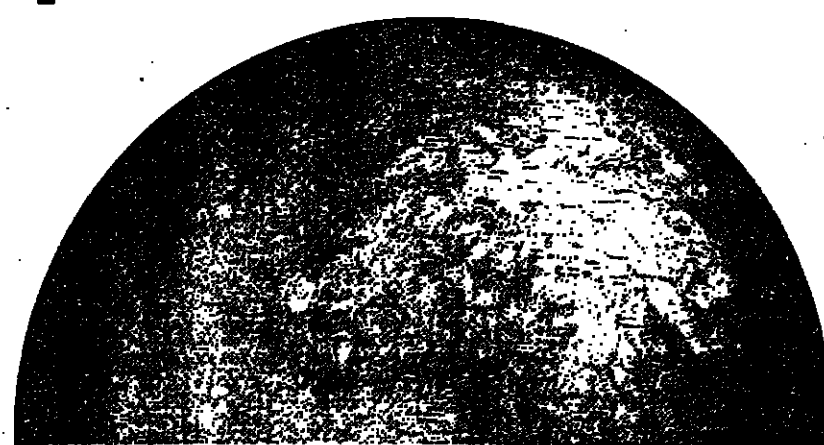
And the investments that many have made in this rapidly growing South American giant are already paying off handsomely.

The list of international companies that have invested in Brazil includes such prestigious names as AEG-Telefunken, Bayer, Bosch, Daimler-Benz, Krupp, Siemens, Volkswagen, Philips, Verolme, General Motors, Ford, Fiat, Philco, Brown Boveri, Volvo, Ishikawajima, Michelin, Pirelli, Mitsubishi, Sharp, Goodyear, Olivetti, and many others.



There are compelling reasons for this confidence in Brazil: Brazil is the 5th largest country in the world, 7th largest in population, 8th in the Western World in Gross National Product, 8th in industrial production, and one of the leaders in agriculture and animal husbandry. It has one of the largest hydro-electric potentials — aggregating about 209 million kilowatts — plus vast mineral resources, such as iron ore, uranium, vast amounts of bauxite, as well as gold, tin, copper, manganese and tungsten. Moreover, the country's steel, petrochemical, automotive, aeronautical and ship-building industries are highly developed.

Brazil's manufacturing industries are expanding at an accelerating pace, and are becoming increasingly competitive in international markets.

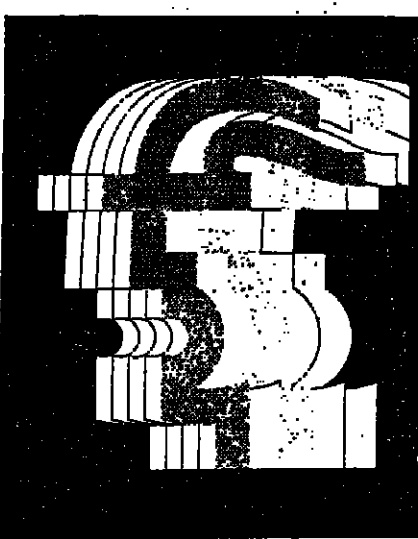


Its service companies, particularly those engaged in project engineering and specialized technologies, are quite active internationally, associated in many cases with organizations of other countries.

A vigorous market economy, a favorable business climate, a highly developed infrastructure, a plentiful supply of skilled and semi-skilled labor, and vast growth potential stimulated on a growing scale by a government policy focusing on free enterprise combine to make Brazil the great new frontier for international investors. Discover for yourself the investment opportunities and incentives that Brazil has to offer. Ranging from the import of quality Brazilian manufactured products in every sector to setting up new operations with Brazilian firms, or profitable capital investment.

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BANCO DO BRASIL



Hanover Fair '80
The year of Brazil

Engineers face big drop in foreign fees

BY MICHAEL CASSELL

ONE OF Britain's largest sources of invisible overseas earnings is in jeopardy, according to the Association of Consulting Engineers.

Last year, the association's members were involved in overseas projects with a capital value of about £36bn. Actual earnings figures are not yet available, but they are thought to have exceeded the 1978 contribution of £375m towards the country's invisible exports.

The profession is becoming increasingly concerned, however, that its ability to maintain its recent record of uninterrupted growth in overseas earnings is being threatened by the steady erosion of a domestic workload which forms the base for its international operations.

The association says the progressive and severe reduction in UK work for consulting engineers has pushed up overseas work to between 80 and 90 per cent of total business.

But foreign markets are also becoming increasingly more difficult, with the decline of activity in the Middle East, the strengthening of sterling and

the growing use of locally based consultants.

The consultants say the problem of securing work in the depressed UK market is being heightened by the growing penetration of in-house engineers in the public sector.

According to the association, the involvement of public sector engineers in what has traditionally been private sector territory is reducing the already limited amount of work available. As a result, private practices are contracting and fewer trainees are being taken on. Applications from graduates are also beginning to fall.

Calling for a reduction in the number of consultants employed in the public sector and moves to secure a reasonable proportion of Government work for private sector engineers, the association says that in 1977 the Government agreed there was a need for a more even distribution of work, but there has been little sign of any move in that direction.

Major-General P. J. M. Pelle-reau, secretary of the association, believes immediate Government action is needed.

Government scheme 'will cause building delays'

GOVERNMENT PROPOSALS to introduce fees for building inspections and the approval of plans will cause building delays, increase bureaucracy and should be abandoned, according to the House-Builders Federation, writes Michael Cassell.

An order to implement the proposals is due to take effect tomorrow but it can be delayed for another four weeks or dropped altogether during that period.

In a last-minute effort to change the Government's mind, the federation, says it has evidence that local authorities intend to recruit extra staff to administer the new fee system.

Mr. Ronald King, federation president, said yesterday that the plan was a "nightmarish scheme that would create enormous delays and disputes between house builders and local authorities. He also said it would increase local authority staffing levels.

The federation is attacking the formula for calculating fees which, it claims, will result in builders' estimates of payments due being cross-checked by council departments. The builders say they know of 30 local authorities who will recruit staff to carry out the work or retain people who would not otherwise have been required.

Ancient monument HQ 'was corrupt'

BY LISA WOOD

THE Environment Department has "tightened its financial control system" after a three-year police investigation into its ancient monument division's East Anglian headquarters.

The investigation resulted in a civil servant and four contractors being convicted of corruption and theft last week. In all eight people, including three civil servants, have been convicted at trials which started last November.

At Norwich Crown Court, Judge Frederick Beezley said: "I am abundantly satisfied that, with perhaps a few exceptions, the Department of the Environment's ancient monuments division, centred at Audley End, Essex, was corrupt not only in its senior staff, but probably lower still."

The defendants had used public funds as a "bottomless trough" from which they could feed at public expense as they chose. He hoped that there would be an inquiry to allay public fears.

The inquiry began with an anonymous letter to the late Mr. Anthony Crosland, then Environment Secretary. It resulted in an internal Department investigation which was, said Mr. William Howard, QC, for the Crown, "a complete whitewash."

The police inquiry began when the Director of Public Prosecutions asked the Chief Constable of Essex to investigate the complaints about "irregularities."

The police submitted a report to the DPP, alleging offences ranging from corruption to forgery against 42 possible defendants, including Directorate employees of senior rank and contractors. A large number of the 42 were subsequently told charges against them had been dropped.

Detective Chief Inspector John Papple, of Essex police, who led the inquiry, said at the weekend he would soon be having a conference with the DPP about the case. New prosecutions might follow but not against those people who had been the subject of dropped charges.

DAVID CHURCHILL ON THE CHALLENGE TO PROTECTIVE LEGISLATION

Consumer groups come under attack

THE UNCERTAINTY surrounding the future development of the UK consumer movement was brought sharply into focus yesterday by Mrs. Sally Oppenheim, Minister for Consumer Affairs, in a tough speech to the National Consumer Congress meeting in Sheffield.

Mrs. Oppenheim criticised the political motivation of the State financed National Consumer Council and acknowledged that business had often, in recent years, been burdened by the growth of "trivial, trendy and meddlesome" consumer protection laws.

But she refused to give wholehearted support to recent criticism by industry of the financial cost of complying with consumer protection laws. One recent study suggested that these costs were in excess of £200m a year.

Mrs. Oppenheim stressed that "in the end it is the consumer's ability to wield choice and stimulate competition, which is the deciding influence that really matters."

Yet what did emerge from the consumer congress over the weekend is that the consumer movement is at a crucial crossroads in its development.

Following the heady successes of the 1970s, when a legislative framework for consumer protection was built and the consumer voice was represented in the inner circles of Government for the first time, the consumer movement has now come under a strenuous and unprecedented attack.

One of the first acts of the new Conservative Government last year was to remove the consumer's direct representation within the Cabinet, thus effectively downgrading the consumer cause first espoused by the last Conservative Government when, in 1973, Sir Geoffrey Howe was made the first Minister for Consumer Affairs.

Coinciding with the change of government a group of companies decided last year that the time was ripe to make their grievances heard.

Headed by such well-respected companies as Marks and Spencer and Unilever and with the backing of the CBI, this group commissioned the Economist Intelligence Unit to quantify the cost of consumer protection legislation in the UK.

The unit's report suggested that the cost of protecting the consumer was in the order of £200m or more.

Ironically, this report did more than anything else to give some cohesion to the disparate consumer movement — unity achieved through outraged condemnation of the unit's findings. But responding to such criticisms is unlikely to provide the consumer movement with a new philosophy for the 1980s.

The movement is, in fact, split between the defence of existing hard-won legislative protection and the desire for new laws covering such areas as manufacturers' liability for defective products.

At the same time the movement has to decide whether the future lies with grass roots action or reliance on Government agencies such as the Office of Fair Trading to improve business competition.

But in spite of the public bitterness between business and consumer groups, in private there is a greater understanding of the need for an effective consumer voice in the economy.

The National Consumer Council, in a policy document published to coincide with this

weekend's congress, points out that legislative measures to strengthen consumers' power, such as more accurate information and improved ability to get redress if exploited or deceived, does not have consumer protection as its first aim.

Instead, the council points out that the purpose of such consumer laws is primarily to improve the efficiency of the economic system.

"In markets where consumer influence is weak, structural inefficiencies may result which make providers of goods and services highly vulnerable to competition from outside the market," it says.

And the council adds that "the absence of the pressure of effective consumer choice serves to restrict economic growth: firms in dominant market positions may up consumer spending power which would provide the base for new businesses meeting more diverse consumer needs."

Although there is some mea-

sure of agreement in the economic philosophy of a strong consumer voice — it dovetails neatly with the present Government's desire for a strong competition policy — there is still a divergence of views over how it should be achieved.

Mrs. Oppenheim made clear yesterday that the present Government would continue to "provide the necessary legislative framework of protection as part of an on-going process."

But she stressed that consumers should be more self-reliant. The Government did not want to create "a climate of consumerism founded in the concept of a hand-holding, lecturing, intervening 'nanny knows best' State paternalism."

Mrs. Oppenheim has suggested two ways of extending the rights of consumers without burdening business with extra legislation.

One would be to introduce a third system of law — a middle system half way between the civil and criminal law. This would endeavour to be tough enough to dissuade the rogue

trader but not so oppressive as to cause problems for the honest but ill-informed small trader.

The second suggestion would be to strengthen the voluntary code of practice set up to regulate traders' behaviour.

However, these codes have proved far from effective in the past and the rogue trader who exists outside the code's voluntary scope remains a difficulty.

The debate over the means of consumer protection is likely to be never ending in the past and the rogue trader who exists outside the code's voluntary scope remains a difficulty.

However, the most radical changes in the coming decade are likely to be felt in increased consumer representation in the nationalised industries.

"The general record of the nationalised industries and public services in providing consumers with information and easy means of redress is not good; it is an urgent task to improve their performance," argues the council.

FT GROCERY PRICES INDEX

Sharp rise in canned products

BY GARETH GRIFFITHS

A SHARP rise in the price of canned goods, fresh fruit and vegetables pushed the Financial Times Grocery Price Index up by 1.86 per cent in March.

The March index now stands at 124.18 and the monthly increase is the highest recorded this year. The main factor was a 5.9 per cent increase in the cost of the fresh fruit and vegetables section. This was caused mainly by the seasonal weather. The section rose to a total of £257.95.

Canned goods increased in price by 3.3 per cent. It is not clear to what extent this was due to the shortage of tins caused by the steel dispute and whether demand has been stepped up. Food manufacturers do not think shortages will occur until well into April and there have been few signs of panic buying.

The Financial Times Grocery Prices Index gives an indication of the trend in prices rather than acting as an absolute indicator of price levels. The index is based on data collected

	March	February
Dairy produce	620.08	615.22
Sugar, tea, coffee, soft drinks	195.48	191.58
Bread, flour and cereals	280.86	279.61
Preserves and dry groceries	99.27	98.74
Sauces and pickles	47.68	47.29
Canned goods	182.30	174.55
Frozen foods	220.37	215.64
Meat, bacon, etc. (fresh)	511.94	507.42
Fruit and vegetables	257.95	243.65
Non-foods	223.64	224.38
Total	2,639.57	2,600.08

Index for March: 124.18
1979: January 108.54; February 106.45; March 109.12; April 110.88; May 113.59; June 116.02; July 114.79; August 114.16; September 114.17; October 114.95; November 116.36; December 118.74.
1980: January 120.47; February 122.32; March 124.18.

by 25 shoppers who monitor a list of 100 grocery items in the same shops. These range from supermarkets to village grocers throughout the UK.

Meat, dairy produce, and dry groceries remained fairly stable. The large increase in dairy prices in February has evened out. The price of milk is an average 16p a pint and indications suggest a short-term fall

green pound last summer added about 1 per cent to the cost of food.

The non foods section of the basket, including detergents and cleaning materials fell in value this month. The decline of 0.3 per cent contrasts sharply with the rise in February of 3.6 per cent. The FT shoppers recorded a wide range of price fluctuations on the non-food section.

The fierce competition in the supermarkets over pricing is likely to continue over the next two years according to a forecast by stockbrokers Hoare-Govett this month. The implications are continuing low margins in the supermarkets and a reduction in the number of food manufacturers. Brands are also expected to be reduced in number.

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- A. Biggar Ltd., 273 Sauchiehall Street, Glasgow, Scotland.
- B. Braham Ltd., 758 Green Lane, Winchmore Hill, London N21.
- Broadway Music & Vision, 4 The Broadway, Woodford Green, Essex.
- A. Conlon, 117 Cowgate, Kirkcaldy, Glasgow.
- Contrast, 15 Bath Street, Glasgow G2 1HX.
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- Peter Dyer Ltd., 40 Bradford Road, Shipley, West Yorkshire.
- GEM, 313/319 High Road, Leytonstone, London E11.
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- Van Haaren Electrical Discount Centre, 323 Chingford Road, Walthamstow, London E17.
- Hodgsons Radio & TV, 10 Chestergate, Macclesfield.
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- Ladds, Haunch Lane, King's Heath, Birmingham.
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- Radio Lux Ltd., 108 The Parade, High Street, Watford, Herts.
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UK NEWS - LABOUR

Recognition repeal 'will mean more Grunwicks'

BY ALAN PIKE, LABOUR CORRESPONDENT

REPEALING THE statutory recognition provisions of the Employment Protection Act would remove the teeth from the Advisory, Conciliation and Arbitration Service's efforts to develop collective bargaining, Mr. John Lyons, general secretary of the Engineers and Managers Association said yesterday.

The Government's proposal displayed the "central hypocrisy" of its Employment Bill as a whole, said Mr. Lyons in his union's journal *Electrical Power Engineer*.

The chief argument for the Bill's other provisions was that introducing legal back-up powers would improve industrial relations and reduce disruption. But by proposing to repeal the Act's recognition provisions, the Government was moving in the opposite direction.

"If trade unions have no statutory means of securing a reasonable hearing for a recognition claim, then where they can they will resort once again to industrial action to achieve recognition."

"There will be more Grunwicks. Hence in this area the Government is removing legal powers and is content that there should be more industrial strife, not less, in consequence. It is a fatal contradiction."

Unions for white collar and professional staff, said Mr. Lyons, would be particularly hampered. Such employees were reluctant to use industrial muscle to further recognition claims—"an attitude of mind on which too many employers rely in denying basic negotiating rights to their own staffs."

The Bill would strengthen private industry employers in

resisting claims from professional and allied staffs.

Reviewing the Employment Bill against the total background, it was impossible to believe its main purpose was to improve industrial relations.

"Its main purpose is to weaken trade unions. I believe the TUC is right to oppose it."

The annual conference of the union's Electrical Power Engineers Association opens in Llandudno today. Among the debates will be one on the politically non-aligned association's relationship with the TUC.

Some branches will urge that, while it is right the professional engineers' union should continue to maintain non-party political principles, it should seek ways of playing a greater, more positive role in the union movement.

'Spend education cash on schools'

BRITAIN'S SECOND largest teacher union has told the Government that it has a duty to make sure the money it gives to local authorities for education is spent on schools.

The 120,000-strong National Association of Schoolmasters/Union of Women Teachers today it accepts that the Government has a part to play in deciding the nature and quality of school lessons.

However, it says the Government must not shirk its responsibility to ensure resources

made available for education are spent on meeting educational needs.

The union makes the point strongly in its first response to the Government's recent discussion document outlining the need for a set of basic subjects as a core curriculum—to be taught in all schools.

Mr. Fred Smithies, the union's assistant general secretary says: "We hear from the Government that the rate support grant arrangements allow for certain levels of

spending on education, only to suffer the provocation of having local authorities telling us that they do not propose to keep those levels when they fix their local budgets."

The union warns that extensive discussions will be needed before any big changes in the curriculum can be agreed.

It says the curriculum needs of post-16 year olds as well as five-to-16 year olds should also be discussed. Education for leisure has also been ignored, says the union.

Tory Bill 'will weaken women's rights'

BRITISH WOMEN will be at the bottom of the European league for maternity rights, when Government changes to the Employment Bill become law, according to a Low Pay Unit analysis published today.

The changes will seriously weaken rights for working married women, it says, and research associate Jennifer Hurstfield declares: "Working women in Britain already enjoy maternity rights inferior to those of other EEC countries."

"Any weakening of married women's employment opportunities will affect directly the

living standards of all families, but particularly those on low incomes."

Women workers' pay has slipped in relation to men's since 1978, says the unit's current bulletin.

They earn on average less than two-thirds the pay of men, and represent three-quarters of full-time low-paid workers, in spite of the Equal Pay and Sex Discrimination Act. By 1979, women earned only 62 per cent of the average for men.

Researcher Emma MacLennan says women are concen-

trated in the lowest-paying industries and jobs—70 per cent work in services and distribution, clothing and textiles.

The Sex Discrimination Act has had limited success, with 60 per cent of cases being dismissed before reaching a tribunal. Of the rest, only a fifth are successful.

The bulletin says that the employee most likely to be low paid in Britain in the 1980s "is a female manual worker in our schools and hospitals," who lives in the "South-West or Yorkshire and Humberside."

New bid to resolve port dispute

TALKS BETWEEN management and unions are expected to be resumed in Liverpool today in a further bid to end the 11-day official strike by 8,000 Mersey dockers and waterfront ancillary workers over the loading of a steel cargo.

The strike has sealed off the Port of Liverpool with 25 ships locked in the docks and at least 20 diverted from the river, some to the Continent.

After six hours of talks on Friday between the Liverpool Port Employers Association and the docks section of the Transport and General Workers' Union, the management offered a five-point plan which they described as hopeful.

The talks were then adjourned to enable the district docks union committee to consider the package.

But after a three-hour meeting on Saturday, it was rejected over one point, the handling of the disputed steel cargo.

The dockers said they would continue to obey the national instruction that export and import steel cargoes should be blocked.

The adjourned talks are expected to resume, but there seems little likelihood of any return to work before the Easter holiday.

If a settlement is reached the ancillary workers, including the tugmen, might agree to move the strike-bound vessels.

The national docks delegate conference will discuss the strike in London tomorrow, and on Wednesday the Mersey dockers will hold another mass meeting.

NUJ executive backs protest

THE EXECUTIVE of the National Union of Journalists is to call on NUJ members to give strong support to the TUC's day of action, in protest against the Government's policies, on May 14.

Under the union's rules the executive cannot, without a ballot of the membership, issue an instruction to withdraw labour on the day.

MARTIN DICKSON REPORTS ON MINING IN SOUTH WALES
Air of gloom over the valleys

AN AIR of gloom bred from fear of pit closures hangs over the mining valleys of Glamorgan and Gwent as the National Coal Board's South Wales area ends its financial year today, showing another huge loss.

"The morale of miners has never been lower," says Mr. Emlyn Williams, area president of the National Union of Mineworkers. "The position as we see it is as bleak as it could possibly be."

There is an element of hyperbole about his remarks, but not much. It was only last December that Mr. Philip Weekes, the Coal Board's area director, was issuing similar warnings designed to set alarm bells ringing in Whitehall.

Mr. Weekes said increased coking coal imports and British steel production cutbacks could threaten up to 20 of the 36 Welsh pits and at least 15,000 jobs.

Since then there has been an agreement over import levels. But the future is far from rosy. Ironically when the medium- and long-term outlook for Britain's coal industry is brighter than for more than 20 years.

Nothing points up the problems more starkly than the financial outlook. In the 1978/1979 year South Wales deep mines made a loss before regional grants of £18.9m.

This year's figure, yet to be published, is much larger, putting a question mark over the future of the heaviest loss-makers.

The losses are attributable in part to the problems of winning coal in this old, well-worked and geologically difficult field, which suffered seriously from lack of investment in the 1960s and early 1970s.

Unexpected faulting can, overnight, turn a profitable pit into a loss-maker. The coal seam can suddenly dip hundreds of feet, putting paid to a face which will have taken months and film or more to equip.

South Wales coal faces have lives of six to nine months, compared with 18 or more elsewhere in Britain.

These problems are offset to some extent by the high market value of much of the coal produced, which is sold at a premium of coking coal, nearly 3m tonnes of anthracite, and more than 3m tonnes of cheaper power station coal.

But these quality coals must be washed free of impurities, which may account for 40 per cent of the material mined.

The past year has also seen a collapse of the market for South Wales coking coals, in which 18 to 20 pits depend in whole or part. Behind this lies the problems of British Steel, by far the largest customer.

A year ago the Coal Board

believed it had a market for 3.2m tonnes at British Steel's Llanwern and Port Talbot works. But increased imports and British Steel's plans to cut South Wales production by half have left it with a market for 1.25m tonnes.

It could have been worse. In December the possibility of more cheap imports threatened to reduce the coking coal market to nothing.

But two factors have given the area a breathing space. First, Coal Board headquarters in London agreed to subsidise British Steel's coking coal purchases by £22m this year, provided it did not raise further its import levels.

Second, higher demand from the Central Electricity Generating Board enabled the Coal Board to switch an extra 0.75m tonnes of dual-purpose coal from the coking to the steam market.

That still means the Coal Board will be putting half-a-million tonnes of coking coal to stock in the coming year. Its stocks of all coal are already 4.75m tonnes, more than half a year's deep-mined output.

The agreement with British Steel runs only to the end of year, while the Generating Board's future demand is uncertain. So the fate of a loss-maker smokeless fuel plant at Aberaman, which uses

1m tonnes of coal a year. The future of some pits must be in jeopardy. Just how many is unclear. Mr. Williams says the Coal Board has a list of ten mines it would like to shut.

This is denied by Mr. Weekes, who says he will fight against the closure of any pit because of a loss of market.

But he says it is hard to fight for mines which are "arterial bleeders, which don't have a hope of doing anything other than losing a great deal of money."

Whatever closure plans emerge, they seem certain to be strongly fought by the National Union of Mineworkers, which opposes the shutting of any pit containing what it considers are workable reserves.

The prolonged Coal Board Mineworkers battle over closure of the area's Deep Duffryn pit may be just a preliminary skirmish.

But the gloom is not total. About £104m has been invested in South Wales collieries since 1974 and some revamped mines are showing a good profit. There is also the new showpiece drift mine at Betws.

The Coal Board had hoped to offer gradual closures with new job opportunities at the pits, returning the area to profit by the mid-1980s. But that requires time and a solid market, both of which seem to have disappeared.

Builders weathering steel strike

BY ANDREW TAYLOR

THE STEEL strike, which began on January 2, has had little immediate impact on UK construction work. But types of steel used in major building projects are in short supply.

The Federation of Civil Engineering Contractors, monitoring the strike's impact on a weekly basis, said that only a handful of projects have been affected by steel shortages and that in only one or two cases had all work been halted.

The building industry, as distinct from civil engineers, also reported few difficulties arising from steel shortages.

Delays, however, are being built into some projects. This problem is unlikely to be

resolved even if the dispute is settled soon. It could be several months, once the strike ends, before the British Steel Corporation can return to full production and replenish stocks.

The return to work by the private steel sector has eased supply problems, particularly for reinforced-steel where sufficient stocks for between six to 10 weeks' construction work are estimated.

However, there have been shortages of steel sheet-piling, used in foundation work and for protection, and this is where most problems have emerged. The BSC is by far the largest supplier of steel sheet-piling for construction.

Even where work involving steel sheet-piling has been halted or disrupted, construction companies have been able to do other work.

In fact, the level of UK construction during the first quarter of this year, can be expected to have been higher than during the first quarter of 1979, when building activity was seriously disrupted, largely by a severe winter but also by the transport drivers' strike.

Structural steel used by both civil engineers and builders on major construction projects has also been in short supply. But there were indications that employers, as in other industries, had sought alternative supplies overseas.

Welsh fears exaggerated, says Minister

MR. NICHOLAS EDWARDS, the Secretary of State for Wales, accused Government critics at the weekend of deliberately painting a false picture of Wales becoming an "industrial desert" with the rundown of the steel industry.

Speaking in Llandrindod Wells, Powys, at the annual conference of the National Chamber of Trade, Mr. Edwards said over 18,000 jobs were already in the pipeline in government advanced factories and government-assisted enterprises, as well as jobs being created by dozens of private companies.

CONTRACTS AND TENDERS

INTERCOR INTERNATIONAL COLOMBIA RESOURCES CORPORATION BOGOTA, COLOMBIA

PREQUALIFICATION OF CONTRACTORS FOR THE BLOCK B "CERREJON COAL PROJECT"

(NORTHERN AREA—ASSOCIATION CARBOCOL/INTERCOR)

International Colombia Resources Corporation (INTERCOR), a wholly owned affiliate of Exxon Corporation, in association with Carbores de Colombia (CARBOCOL), the Colombian Government-owned company, as joint owners, are considering a project to mine coal from Block "B" of the Cerrejón Coal deposit located in the Department of La Guajira, Republic of Colombia.

A decision to proceed with the project has not, as yet, been made by INTERCOR or by CARBOCOL. However, INTERCOR, as operator to be for the joint owners, acting as the contracting party for the execution of the Cerrejón Block B Coal Project is hereby inviting prequalification submissions from contractors experienced in mining, civil design, and heavy construction who wish to be considered as potential prime contractors responsible for the engineering, procurement and construction of the project. Contractor's scope of work will include all facilities described herein unless stated otherwise.

The purpose of this prequalification effort is to assist the owners in selecting a limited number of contractors who will bid competitively, on a reimbursable cost basis, to execute this project. INTERCOR will furnish to the contractor selected to execute the project, at contract award, a document containing systems and facilities basic design along with supporting data. The contractor will have undivided responsibility for detailed engineering, procurement and construction of the facilities described. Detailed engineering includes some basic design development work, engineering required to erect facilities or define subcontract packages and equipment and materials purchase specifications. Contractor may also be required to provide design follow-up and perform some additional facilities optimization. Portions of the engineering and construction may be performed by other firms and this will be on a subcontract basis. Prime Contractor will be required to maximize Colombian participation.

The mine is initially being designed for an annual production of 15 million metric tons per year employing mainly a truck and shovel operation in open pits. Mine pits and coal removal design will be done by INTERCOR's personnel and, accordingly, are excluded from the contractor's scope of work. However, mine ancillaries consisting of coal crushing, silo storage and maintenance/office facilities are included as part of contractor's scope of work.

The coal will be transported from the mine to the shipping port on 150 kilometer

standard U.S. gauge railroad using diesel-electric locomotives and bottom discharge coal cars. Port facilities will be located in a naturally protected bay. Offshore facilities include a dredged ship channel, a coal ship berth for vessels up to 300,000 deadweight tons, and a commodities pier for receiving dry mine supplies and fuel. Onshore facilities include railroad car unloading and coal storage facilities. Stacker-reclaimers will handle the coal in and out of storage.

Approximately 3,000 houses and community infrastructure for operating personnel will be built, over a 10 year period, at a site near the mine. Airports will be built at the mine and port to handle jet aircraft. Also included in contractor's scope of work are the operating headquarters building and major equipment rebuild facilities.

Preliminary estimates indicate that in excess of 1,000,000 technical manhours will be required for detailed engineering and procurement over a 2 year period and that about 20,000,000 direct and indirect field labor manhours will be required for all facilities included in the contractor's scope of work, except the accommodations, which will require about 25,000,000 additional field labor manhours for initial housing requirements up to full production (end 1987). An additional 15,000,000 manhours are required to complete the planned community which is outside the contractor's scope of work.

Primary electrical power and transmission lines will be built and operated by the state-owned power company. Electrical distribution within the major sites of the port, mine and accommodations are part of the contractor's scope of work as are other utilities including water supply/distribution, waste collection/disposal and fuel receipt/storage.

It is anticipated that financing will be used to fund a portion of the project. Lending institutions might include development banks, export credit agencies and commercial institutions.

A more complete description of the project, scope of contractor's responsibility, and prequalification requirements will be furnished to prospective firms who are interested in the project. Contractors should not apply unless they have the experience and capability to assume single, prime contractor responsibility; acted as prime contractor during the last five years for engineering, procurement and construction on similar projects, in remote locations, that

included a deep water port, a railroad, accommodations and mineral handling and loading facilities which had a value of at least 0.5 billion U.S. dollars, and which required no less than 500,000 hours office technical manhours; at least 400 hours of office technical personnel in functions pertinent to the Cerrejón Project; and experience with the requirements/procedures of various financing institutions.

Interested and qualified firms may obtain the Prequalification Documents by having a representative present a letter addressed to INTERCOR indicating the name of the company and its business address to either: EXXON RESEARCH AND ENGINEERING COMPANY, 180 Park Avenue, Flomham Park, New Jersey, 07932, U.S.A. Attention: Contracts Engineering Division, telephone (201) 785-6834, cable ENGREX; or INTERNATIONAL COLOMBIA RESOURCES CORPORATION, Carrera 7ª No. 37-69, Piso 3º, Bogotá, Colombia. Attention: Engineering & Construction Department, telephone 855594, cable INTERCOR, Bogotá.

A deposit of 500 U.S. dollars or 22,000 Colombian pesos, payable by certified check, made out to International Colombia Resources Corporation, will be required for each copy of the Prequalification Documents. This deposit is non-refundable.

Contractors are encouraged to apply for the Prequalification Documents as soon as possible. The last date on which contractors may obtain the documents is April 15. Responses to these Prequalification Documents will be reviewed as they are submitted and must be submitted no later than four weeks after receipt, and in any event not later than 3:00 p.m. New York time, May 9, 1980.

INTERCOR reserves the right to reject any or all qualifications submitted, to invite or not invite bids, and to award or not award a contract for this work as a result of this notice.



The above is a key project of the Colombian Government National Integration Plan.

NATIONAL ELECTRIC POWER AUTHORITY (NEPA) LAGOS, NIGERIA

LAGOS DISTRIBUTION SYSTEM EXPANSION 1979 NEPA PROJECT NO. 252/1

1 Application for Bid Documents for Line Works 2 Prequalification for Station Works

NEPA intends to undertake an extension of Distribution System of Lagos. Application for Bid Documents for Line Works and prequalification in respect of Station Works is invited for the following works. Contractors may apply separately for the lot they are interested in.

LOT A Approximately 90 km of 132 kV double circuit overhead line, on a turnkey basis, consisting of line route survey, manufacture, supply and delivery of all line components, including foundations.

LOT B Approximately 25 km of 33 kV double circuit overhead line, shortspan type with concrete or steel towers, consisting of manufacture, supply and delivery of all components (towers, conductors, insulators, hardware), including sea transport, c & t, Appa Port, Lagos.

LOT C Five substations 132/33/11 kV for 45/30/20 MVA three-winding transformers, 132 kV switchyard, 33 kV and 11 kV metal clad switchgear for indoor installation.

The lot consists of manufacture, supply, transport, erection and commissioning of all electrical equipment (transformers supplied from NEPA stock), including steel structures and equipment supporting structures for 132 kV switchyard. Civil works are not included. Bidders who do not manufacture 33 kV and 11 kV indoor metal clad switchgear are excluded.

Foreign currency portion for the three lots will be financed by the World Bank. Manufacturers and contractors from World Bank member countries and Switzerland are acceptable.

As much as possible, materials available in Nigeria should be procured from Nigeria. Some of these items include aluminum conductors, ACSR, steel wire, etc. Payments will be made in the currencies quoted by the Bidders. Expenses incurred in Nigeria will be paid in Nigerian currency only. Bid Documents for Lots A and B will be available from April 14, 1980, and may be obtained through written application, accompanied by a cheque for the non-refundable deposit of Swiss francs 500 or Naira 210 to the Consortium.

Motor-Columbus G. F. Apolo & Associates Consulting Engineers CH-5401 Baden/Switzerland Tel: 54 632 MOCCO CH

or Director, Purchasing Department National Electric Power Authority Headquarters P.M.B. 12000, Lagos, Nigeria A copy of the application should be addressed to NEPA or Motor-Columbus Baden as applicable.

The bid closing date is June 16, 1980. For Lot C applicants for prequalification may request the "Questionnaire for Prequalification of Prospective Bidders" immediately from the Consortium in Baden or at Lagos Office of Apolo & Associates 23 Fern Avenue Crescent Off Adeniran Street, Surulere.

A copy of the request for Questionnaire should be addressed to NEPA. Completed Questionnaires are to be submitted by May 8, 1980, to Director, Line & Station Projects Department NEPA Headquarters P.M.B. 12000, Lagos, Nigeria.

IRBID DISTRICT ELECTRICITY COMPANY LTD. HASHEMITE KINGDOM OF JORDAN TENDERS FOR IRBID URBAN REINFORCEMENT-STAGE 1 PROJECT 5022/02

The Irbid District Electricity Company invites UK and Jordanian firms to tender for the above project, which includes the complete design, supply and erection of:

2 x 20 MVA ONAN 33/11kV transformers, alternatively 2 x 15/20 MVA ONAF 33/11kV transformers. Indoor substation comprising a 7 panel 11kV switchboard and ancillary equipment.

Approx. 4 km of double circuit 33kV paper insulated aluminium conductor cable with XLPE alternative and pilot cable. Approx. 16 km of single circuit 11kV paper insulated aluminium conductor cable with XLPE alternative.

12 x 630kVA 11/0.4kV package substations. All associated civil work. Goods and services must be of UK and Jordanian origin.

All to be installed within the environs of the city of Irbid in North Jordan. The tender period is three months. Tenders shall be firm price to meet FIDIC conditions. It is anticipated that a Contract would be awarded by end of August, 1980. The target date for completion is end 1981. A charge of 100 JD's or £150 sterling will be made for a set of three documents with drawings. Tender documents are now available at the Company's office, Baghdad Road, P.O. Box 46, Irbid, Jordan. Tel: 3692, Telex 51528 A/B KHRACO and at the office of Preece, Carlew & Rider, Paston House, 165/167 Preston Road, Brighton BN1 6AF, Sussex. Tel: 507131, Telex 87330, A/B PCURUK. The tender closing date will be 12 noon on Monday, 30th June, 1980.

Tenders will be called for shortly concerning a Rural Project. Consideration will be given to a joint award of both Projects.

CONTRACTS AND TENDERS ADVERTISING APPEARS EVERY MONDAY

Rate £19.50 per single column centimetre

BOND DRAWINGS

Notice of Redemption

EERSTE NEDERLANDSE CEMENT INDUSTRIE (ENCD) N.V.

ESTABLISHED AT MAASTRICHT, THE NETHERLANDS

Dfls 40.000.000—

8½% bearer guaranteed notes 1976 due 1980/83

Notice is hereby given that notes for the amount of

Dfls 10.000.000—

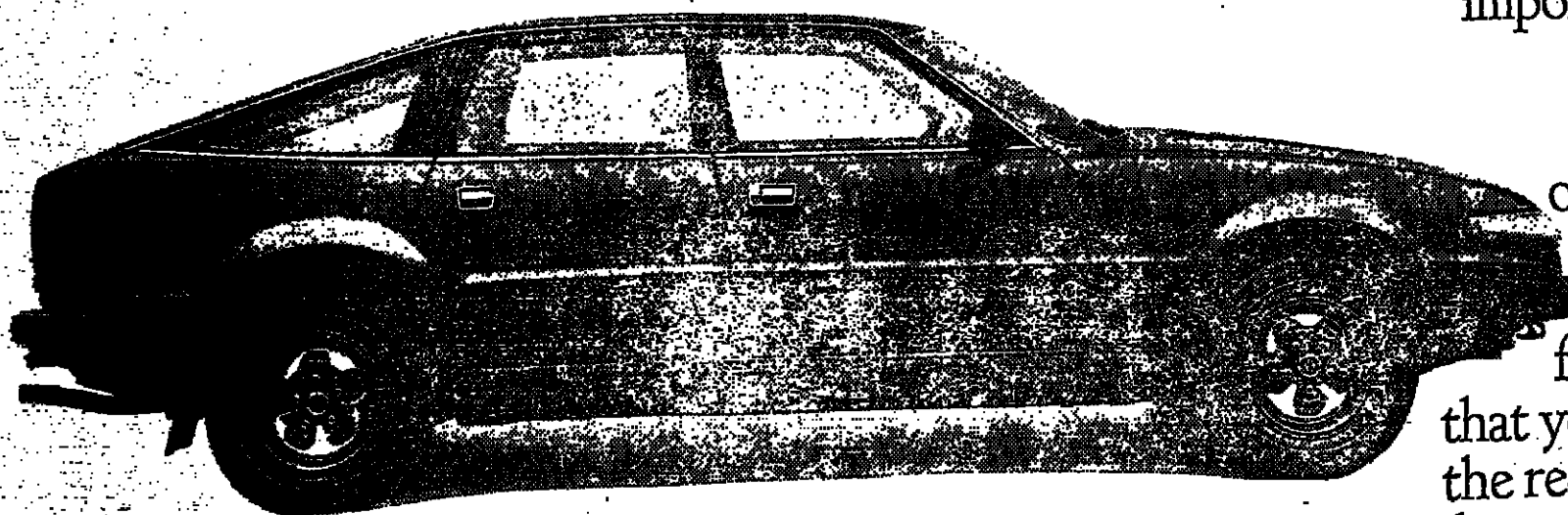
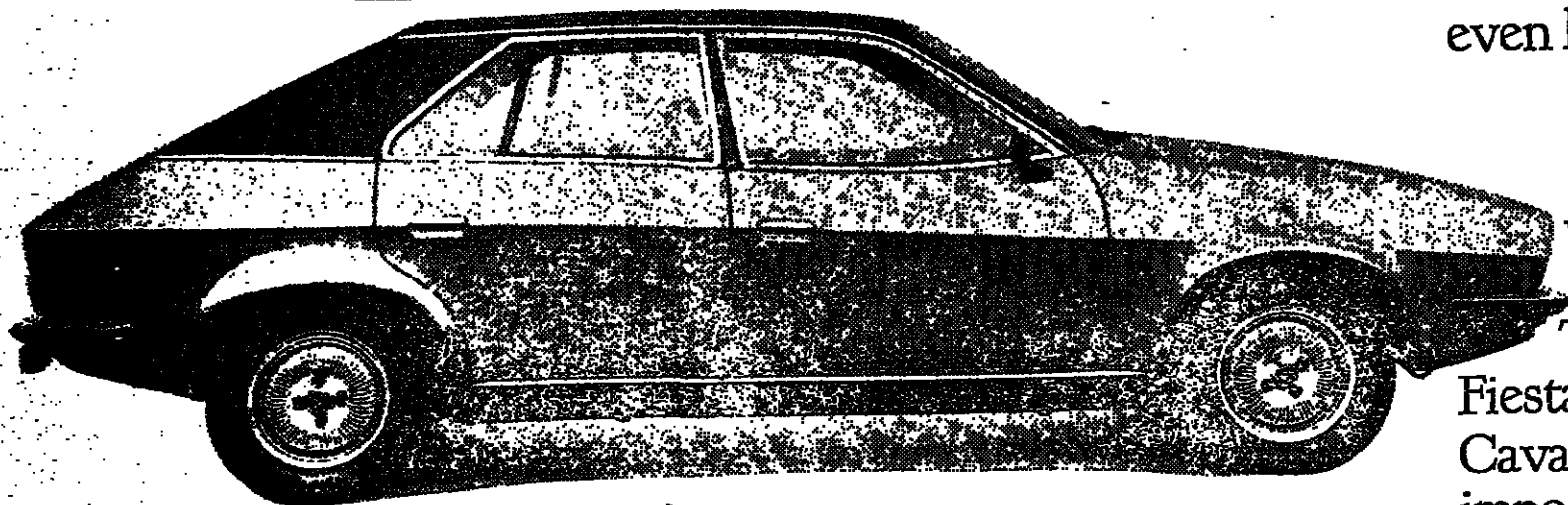
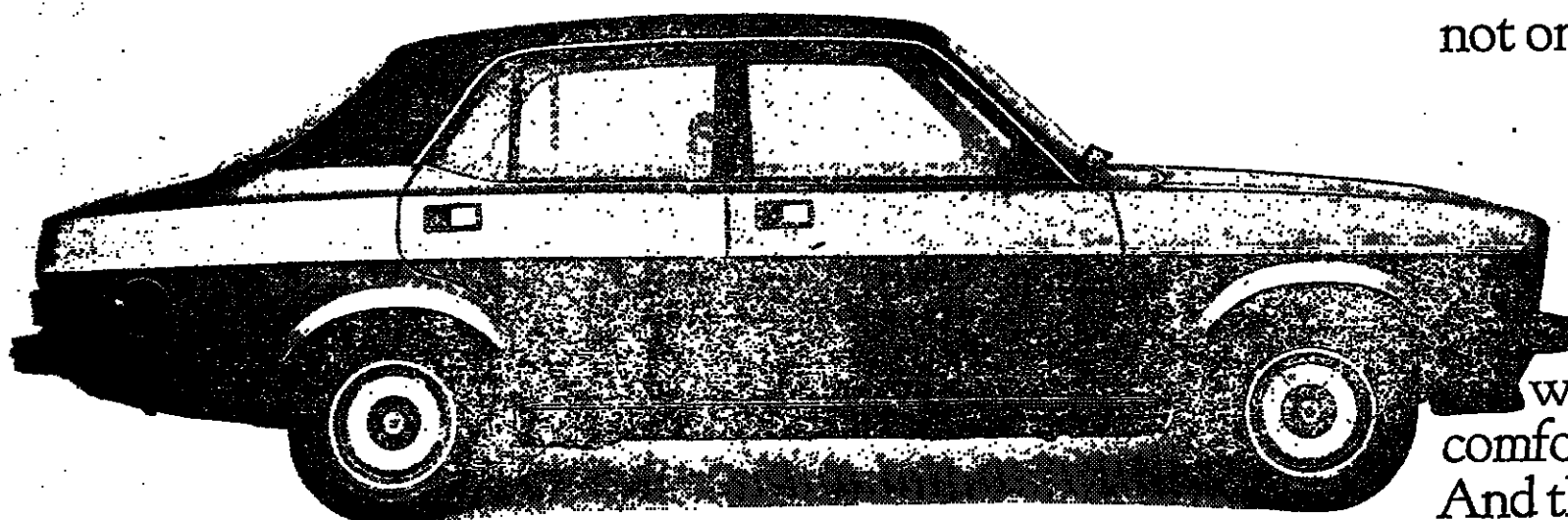
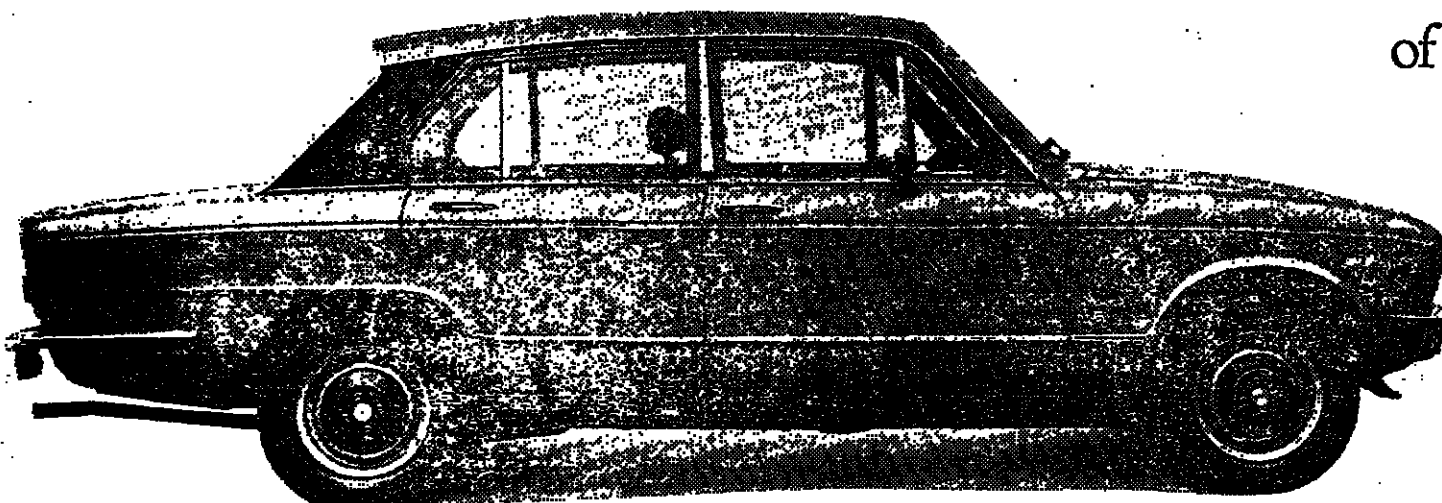
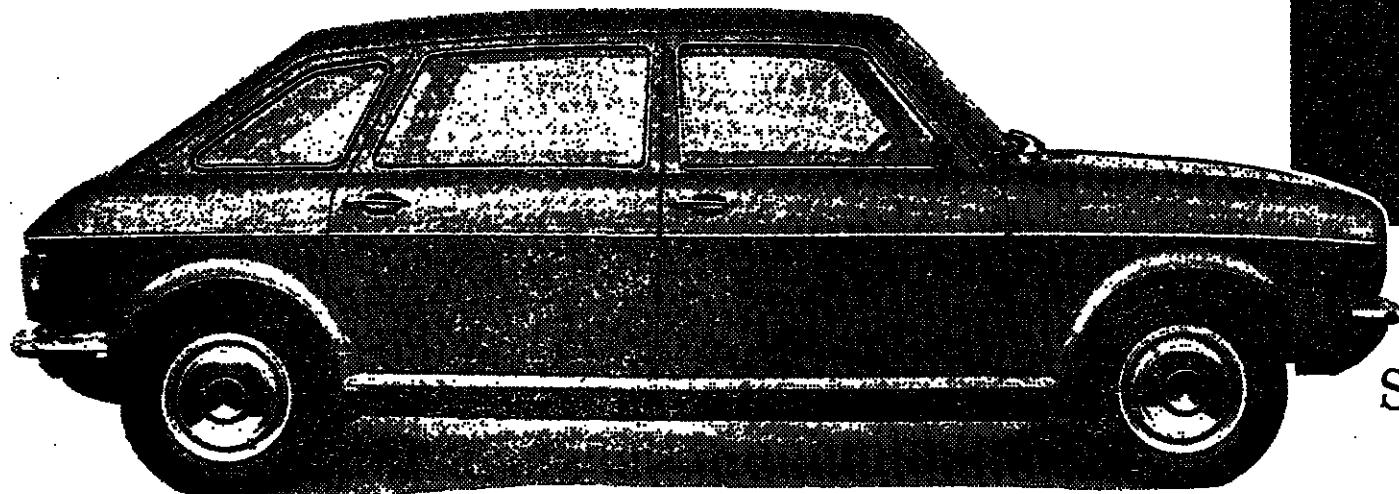
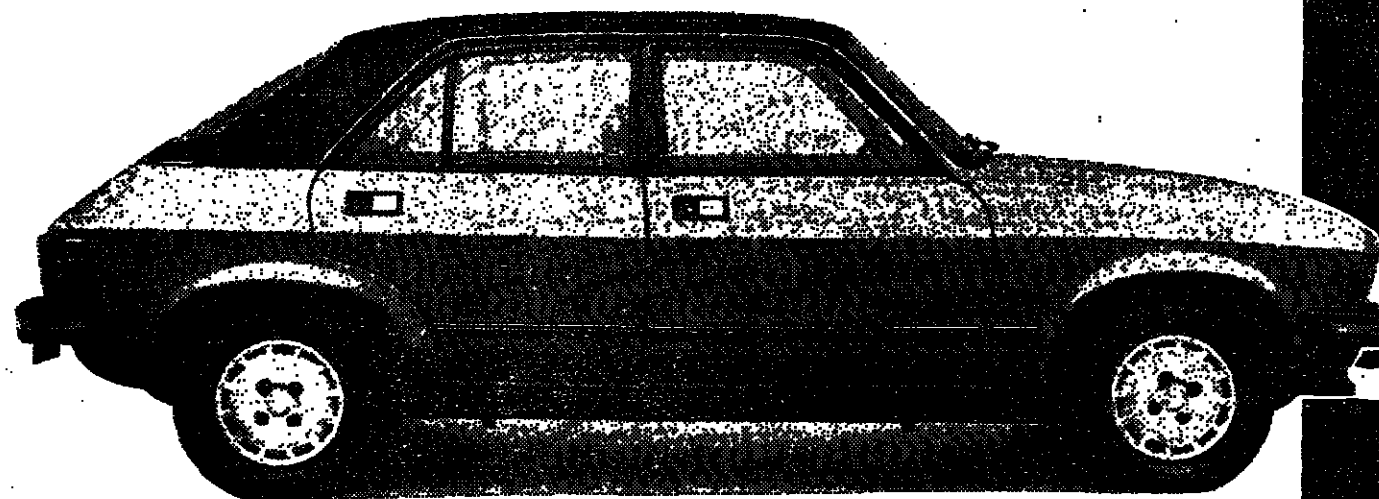
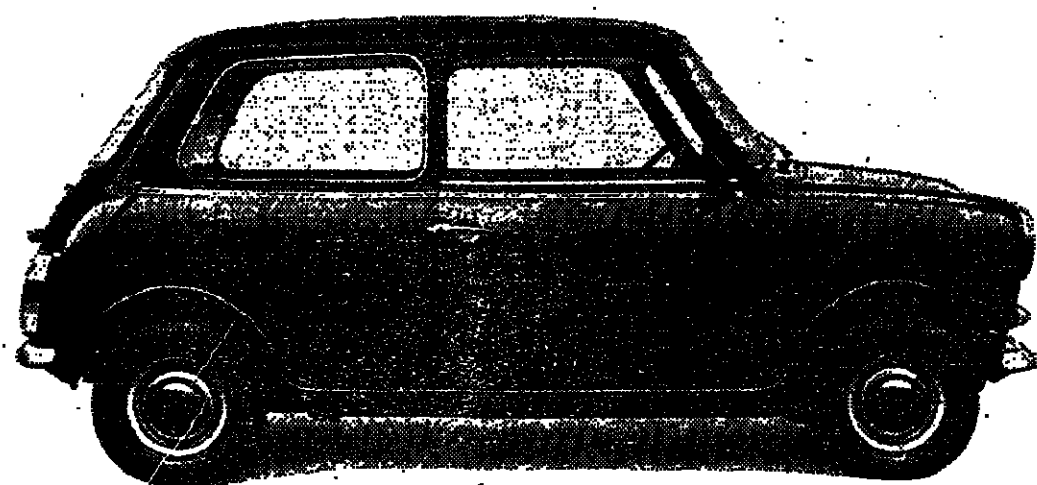
have been drawn in the presence of a notary public for redemption on April 15, 1980.

The drawn notes are those belonging to Redemption Group No. 2.

Amsterdam, March 1980

Central Paying Agent

Banque de Paris et des Pays-Bas N.V.



BL CARS ARE CHEAPER TO RUN, EVEN AFTER SIR GEOFFREY'S BUDGET.

You've heard the bad news for motorists. The increased petrol prices and road tax announced in Sir Geoffrey Howe's Budget.

Now for the good news.

If you're buying a new car, there's still one range of cars that works out cheaper.

The BL range of British cars.

LOW RUNNING COSTS.

Compare these British cars with their foreign-made competitors and BL cars almost certainly give you the edge on running costs.

LOW COST PARTS.

Because they're British, spare parts for BL cars are not only more readily available.

They're also cheaper.

LOW COST INSURANCE.

Insurance too, is generally cheaper for BL cars compared to foreign makes.

However you compare BL's flag carriers for Britain, whether it be on running costs, performance, or comfort, they come through with flying colours. And the number of 'extras' we fit as standard makes BL cars even harder to match.

HOW BRITISH IS A 'BRITISH' CAR?

Fact 1. BL is the only major car manufacturer that is wholly British owned.

Fact 2. During 1979, all Ford Capris, Granadas and Talbot Horizons were foreign-made; over 80% of Ford Fiestas were foreign-made and over 43% of Vauxhall Cavaliers were foreign-made. Only 4.8% of BL cars were imported.

THE BEST OF BRITISH BONUS.

If you buy a new Rover, Princess, Dolomite, Allegro or Marina you'll get another bonus:

The Best of British Bonus.

Such an incredibly good deal that you could save a fortune. And such a generous trade-in on your old car that you can't afford to ignore it. And on Maxis, we've cut the recommended price by 10%, so you're guaranteed to drive a bargain.

See your BL dealer for a test-drive today.

You'll probably never see such low prices on BL's great British cars again.



IT PAYS TO BUY BRITISH.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

PROCESSES

Drying thick timber

PROMISING TO dry timber in faster time than that taken by conventional kilns is a range of specialised vacuum driers available in the UK through Cubbage Bollmann, Harrow House, Ogilvie Road, High Wycombe, Bucks (0494 23661).

Called the Bollmann HTV-30 range, it uses a combination of applied vacuum and accurately controlled temperature, and may form part of a completely automated processing plant.

Timber to be dried before working is stacked in a special chamber, with hot water heating panels interleaved between layers. Chamber is then sealed and connected to a vacuum pump while the heating panels gently warm the wood.

Water vapour drawn off from the timber is passed as steam over special condensing surfaces and condensed to form water which is drained off from the chamber without any interrup-

tion to the operation. The process results in even shorter drying times, says the company, since condensation may be removed continuously, and, in some cases, 20 per cent of the time required for conventional kiln drying has been obtained.

The cycle required for heating, evacuation, cooling and water extraction, is controlled by a specially developed control system.

There are three models in the range: HTV 30-1 is 6 metres (or 8 metres) long, with a diameter of 1.6 metres; the HTV30-11 is 6 metres long with a diameter of 2.2 metres.

Main unit in the vacuum set consists of a sealed chamber with vacuum pump operating under the control of a vacuum switch. A heating boiler fired by gas or oil is used, coupled to a simple pumped and pressurised water system for providing warm water to the heating

panels in the vacuum chamber. Alternative system would be to use a steam to water calorifier instead of a boiler, taking the heat required from an existing steam heating system.

Plates in the vacuum drier which condense the moisture from the timber (in the form of steam at the lowered ambient pressure) are connected to a second pumped pressurised system. The temperature of this circuit is maintained by a fan-assisted cooling unit.

The company says that the vacuum process for drying timber has proved remarkably successful with such species as oak, which has a long drying cycle in conventional kilns.

Its best performance is to be found drying thick timbers from 40 per cent moisture content downwards — although thinner timbers with higher levels of moisture content have been successfully dried. It is also capable of drying "green" timber fresh from the saw.

INSTRUMENTS

Detection of gases

NEWLY APPOINTED sole distributors for the U.S.-made Interscan gas detection equipment is Sabre Gas Detection of Aldershot.

Equipments available will range from personal dosimeters to fixed detection systems and the gases that can be dealt with include carbon monoxide, sulphur dioxide, hydrogen sulphide, nitrogen dioxide, nitric oxide and chlorine.

Throughout the range of instruments electrochemical transducers are used to provide accuracies of 2 per cent.

The portable units are powered by internal rechargeable batteries to give continuous operation for eight hours but can also be operated from the mains.

More from the company at Ash Road, Aldershot, Hants GU12 4DD 0252 316611.

METALWORKING

Checks work position

BOTH THE position and amount of travel of the work in a machine tool can be measured and displayed using a Bauseh and Lomb Unit called Acu-rife II available from TI Lawrence Machinery.

A photosensitive reading head slides along a glass scale on which chromium lines are inscribed, counting pulses to or from any desired position with the exact position displayed in light emitting diode characters.

A choice of these miniscule measuring scales together with push button entry, memory and zero pre-set allow machining to be performed directly from drawings without the need to calculate each step.

The company claims the unit makes machine tools easier to operate and will also extend their life by compensating for errors caused by lead screw backlash and other moving components liable to wear.

Measurements can be changed from inches to millimetres by a switch and the unit can be set to compensate for machine tool error.

More from the company at Welsh Harp, Edgware Road, London NW2 (01-432 0033).

Feeds power presses

A POWER press feed developed by Layche Machine Tools (Aurora Holdings) has been designed to handle the thickest and heaviest materials available in coil form dealing in widths up to 600 mm thicknesses up to 8 mm and feeding lengths up to 600 mm.

It has been called the Hydrafeed and is a self-contained hydraulically powered unit consisting of a press feed with a pull through type straightener mounted on a table assembly. Driven by a 10 hp motor, the integral power pack has a working pressure of 1200 psi.

The unit itself feeds automatically from a coil thus eliminating the need for an operator to hand feed straight lengths of strips.

Compared with other types of press equipment, the Hydrafeed offers a saving on factory space because no loop is required between the decoller and the feed. The company is located in Nest Road, Gateshead, Tyne and Wear (0632 695211).

WELDING

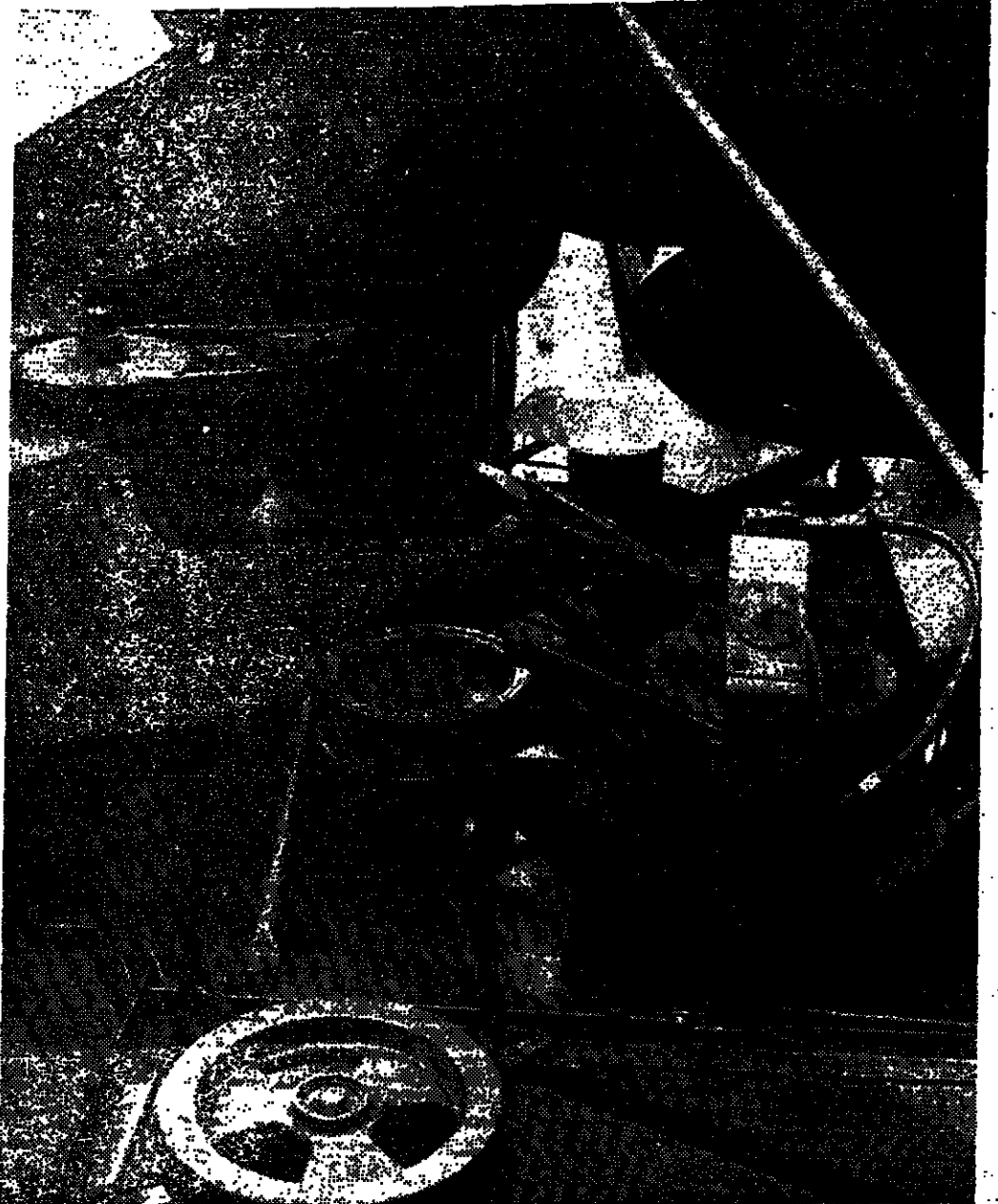
For rough conditions

MOBILE DIESEL engine-driven welding units designated Arc-maker NOMAD II have been introduced by the Lincoln Division of GKN, Lincoln Electric, of Welwyn Garden City, Herts.

The units are designed for use in the rugged conditions normally encountered on jobs such as oil refineries, chemical plants, offshore drilling rigs, production platforms and pipeline projects.

The NOMAD II 400 and NOMAD II 500 provide 400 and 500 amperes respectively with an open circuit voltage range of 50-90 volts and auxiliary power for power tools of 1 Kw, 110v dc is available from the standard NOMAD II. This enables a unit being employed in pipeline welding, for example, to provide auxiliary power for tools such as a grinder and wire brush for weld cleaning and pipe dressing.

When auxiliary power is required an alternator can be fitted as an optional extra providing 21 KVA, 110v or 220v ac.



Three Fahr combine harvesters Models M900/922/1002 currently marketed in the UK are now fitted with high performance Optibelt Kraftbands which are designed to replace several separate conventional V-Belts with a single driving element. It is stated that there is hardly any need to re-adjust belt tensioning mechanisms and uneven belt wear problems experienced in the past have been completely remedied. The possibility of one or other of

the belts either turning on to its back or even slipping off the drive pulleys to displace the other belts no longer exists, it is added. The Kraftbands fitted to the three Fahr combine harvesters transmit the 1512 rpm drive from the engine countershaft directly to the straw stripper drum, which runs at 860 rpm. Belt tensioning is controlled with a hand lever operated by the driver from his seat which enables him to engage or disengage the threshing mechanism.

DATA PROCESSING

New Univac systems announced

SPERRY UNIVAC, the computer products division of Sperry Corporation, has announced two new entry-level multiprocessor systems in its 1100/60 family of computers.

The new multiprocessors, the 1100/62-E1 and the 1100/62-E2, complement the earlier models of the 1100/60 introduced in June 1979.

Univac said the 1100/60 models were the first large scale general purpose computers to implement large scale integration technology with a multiple microprocessor based architecture.

The design, it said, was cheaper and reduced the size of the processor, main storage and input/output hardware with consequent savings in

power and environmental requirements.

The new 1100/62-E1 and 1100/62-E2 models are designed for users who need an uninterrupted data processing service which multiprocessor configurations provide.

Univac said both models embody the "tightly-coupled" multiprocessing technique which gives both processors equal status and they share the workload under a single copy of the 1100 operating system.

Advantages of the technique are that the full two processor power is available for real-time applications and there is no need to transfer real-time applications across systems if either system is interrupted.

Customer deliveries of the

new models will begin in six months. LISA WOOD

SECURITY

Avoiding the bullet

REVEALED BY Rascal is a radar set which is able to detect a passing bullet within six metres and give warning to the occupants of a vehicle to which it is fitted.

Developed by Rascal-MESL of Lillington the equipment uses X-band emissions to detect the bullet, after which a signal is sent via the vehicle's normal radio set to a central point where it is detected to reveal which of several similarly fitted cars, vans and so on is under attack. Local audible signals are also sounded to alert escort vehicles.

Apparently the need for the equipment has arisen mainly in towns where, because of the high noise level the fact that a first badly aimed shot has been fired can often be missed.

IN BRIEF

● Circuit continuity testing using voltage of only 15 V DC and 2 mA maximum short-circuit current can be performed with the Weller CT, a compact unit which emits an audio tone when continuity is established. Welwyn Tool, Stonehills House, Welwyn Garden City, Hertfordshire (Welwyn 29121).

● A versatile combination of time and frequency measuring facilities is provided by the model 5001. It can operate up to 10 MHz as a counter but can also perform period and multiple-period averaging, time averaging, frequency ratio measurement and unit or event counting. Continental Specialties Corporation, Shire Hill Industrial Estate, Saffron Walden, Essex CB11 3AQ (0799 21862).

● Jenway has a new digital thermometer intended for integration into panel-mounted control or monitoring systems. It employs platinum resistance sensors, and a purpose-designed MOS chip is used. More from the company at Gransmore Green, Felstead, Dunmow, Essex (0871 820122).

Reduce the Pressure

...there's help on tap.

For firms with urgent problems of relocation or expansion, immediate help is available in finding suitable sites or premises, negotiating planning permission, the procurement of essential services and recruitment of personnel.

Full information is also on tap concerning the valuable cash benefits and tax allowances available to expanding industry in Cumbria. The whole of the County is either a Special Development Area or a Development Area.

FOR DETAILS OF THE VARIOUS WAYS IN WHICH WE CAN HELP

Cumbria

Contact:
Bob Childes, Industrial Promotion Officer
CUMBRIA COUNTY COUNCIL
84 Warwick Road, CARLISLE, Cumbria CA1 1DZ
Telephone: Carlisle (0228) 23456

NOTICE OF REDEMPTION

To the Holders of

Amoco International Finance Corporation

8% Guaranteed Sterling Debentures due 1987

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of May 1, 1972 (the "Indenture"), under which the above-described Debentures were issued, all of the outstanding Debentures have been called for redemption on May 1, 1980, through operation of both the mandatory and optional sinking fund provisions of the Indenture. The Debentures are payable at a redemption price equal to 100% of the principal amount thereof.

On and after May 1, 1980, all of the Debentures will become due and payable at the principal amount thereof (i) in such coin or currency of the United Kingdom as at the time of payment shall be legal tender for the payment of public and private debts (herein called "pounds sterling") or (ii) at the election of the holder of such Debenture, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts (herein called "U.S. dollars"). Such election to receive the Dollar Equivalent, as defined in the Indenture, is irrevocable and may be made only by the presentation and surrender of such Debenture, together with a completed Dollar Payment Notice substantially in the form set forth on the Debenture, at the office of one of the below listed paying agencies not later than April 19, 1980; provided, that, notwithstanding any such election, the holder of such Debenture will receive and accept payment in pounds sterling in the event that for any reason it is not possible for the Trustee to determine, in accordance with the terms of the Indenture, the Rate of Exchange, as defined in the Indenture, on the applicable date for such determination or otherwise effect a sale of pounds sterling.

Said Debentures will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either at the Corporate Trust Office of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, N.Y. 10015 or at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, Paris or Zurich, or at the main offices of Banca Vecellio & C. S.p.A. in Milan, or Rome, or the main office of Bank Mees & Hope N.V. in Amsterdam or the main office of Kredietbank, S.A. Luxembourg in Luxembourg. Payments will be made (i) in the case of any payment to be made in pounds sterling by a check drawn on a pounds sterling account, or by transfer to a pounds sterling account maintained by the payee, with a bank in London, subject in each case to any laws and regulations applicable thereto, and (ii) in the case of any payment to be made in U.S. dollars, at any agency outside New York City by a check drawn on a U.S. dollar account, or by transfer to a U.S. dollar account maintained by the payee, with a bank in New York City, subject in each case to any laws or regulations applicable thereto.

Coupons due May 1, 1980, should be detached and collected in the usual manner in accordance with and subject to the terms and conditions set forth above for the payment of Debentures.

From and after May 1, 1980, interest shall cease to accrue on or in respect of such Debentures.

AMOCO INTERNATIONAL FINANCE CORPORATION

Dated: March 31, 1980

Louis C. Edwards & Sons (Manchester) Limited

(Registered in England No. 358043)

Issue of 1,069,715 8 per cent. convertible redeemable cumulative preference shares of £1 each credited as fully paid pursuant to the offer for the share capital of Morgan Edwards Limited.

The Council of The Stock Exchange has admitted the above-mentioned securities to the Official List and dealings are expected to begin today.

Particulars of the rights attaching to these securities are available in the Extel Statistical Service and copies of such particulars may be obtained during usual business hours on any weekday (Saturdays excepted) up to and including 14th April, 1980.

Samuel Montagu & Co. Limited,
114 Old Broad Street,
London EC2P 2EY

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31st March, 1980

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Chartered Surveyors

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31st March, 1980

TRANSPORT

Experiment with a bus

BRITISH AIRWAYS has completed a one-week evaluation of a Leyland DAB articulated bus at London's Heathrow Airport, as part of investigations into improving passenger transfer between aircraft and airport terminals.

The bus is 17.35 metres long and can carry up to 160 passengers.

Thanks to the design of the trailer coupling, located beneath the concertina section between the towing vehicle and trailer, the articulated bus is able to thread its way through the busy airport aprons with ease similar to that of a standard single-decker.

Financial Directors—

save downtime and money on computer systems maintenance

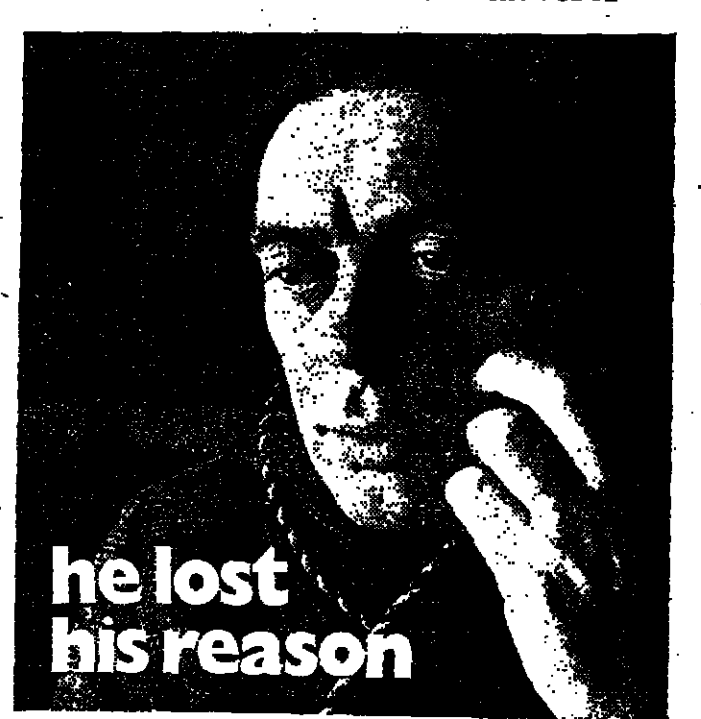
CFM offer a single-source service for mixed supplier installations—large and small—nationwide.

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Telex: 286642

Sergeant J*n*k*n was hit on the head



After 3 years in the last war, after keeping the peace in Kenya, after seeing through the evacuation of Aden, Sergeant J*n*k*n was hit on the head. With a score.

He lost his reason.

He has been with us ever since he was invalided home. Sometimes in hospital, sometimes in our Convalescent Home—wherever he is, we look after him. We provide work in a sheltered industry, so that he can live without charity. One day, he'll probably enter our Veterans' Home for good, still thinking that the next man in the street is about to attack him. Every year brings in more and more deserving cases like Sergeant J*n*k*n. And every year our costs go up.

If we are to survive in '79 we must have more funds. We're doing everything we can, but in the end it depends upon what you can afford to give.

"They've given more than they could—please give as much as you can."

EX-SERVICES

MENTAL WELFARE SOCIETY

37 Thurloe Street, London SW7 2LL. 01-534 8688.

Building and Civil Engineering

Wimpey wins over £16m contracts

PROJECTS IN Oxfordshire, Tyne and Wear, Leicester, Nottingham, Scotland and North America, are worth more than £16m to Wimpey Construction. Included in these jobs is an £8.5m deal between B.L. Cars and the construction company for a new paint plant within an existing three-storey paint shop at Cowley, Oxon. This will include associated conveyors and ancillary buildings.

The work here comprises demolition of an existing paint plant and the completion of the existing steel skeleton core block to provide toilets and amenities and lifts.

Three conveyor bridge routes will link the various buildings and trade effluent plant sub-stations. Process water and sprinkler water storage tanks

will be provided. Work is underway and should be completed in February next year.

Another contract, valued at about £2.6m, is for the construction of a factory and offices has been awarded by Baker Perkins Holdings for Rose Forgrove. Work includes asbestos cement roof, main drainage, hardstandings and sundry external works.

Three projects worth more than £2.2m are for housing modernisation in Leicester and Nottingham. Largest is worth more than £1m and is for the first and second phases of the Edwards Lane scheme by Nottingham City Council. This involves modernisation and repair of 122 homes all of which will remain occupied during work operations.

Two other similar contracts are together worth over £1m and are for Leicester City Council. Improvements and modernisation to homes include new bathroom and kitchen equipment, new plumbing and wiring throughout, central heating and decoration. There are 54 homes at Surrey Street and 180 homes on the Braunstone Estate, to be completed in November 1980 and March 1981 respectively.

In Scotland, two contracts together valued at about £1.3m include construction of 57 homes on the Claremont Nursery site, Killwinning, Strathclyde. Wimpey no-fines method will be used for 55 homes and two houses will be in traditional brickwork. Included in the work are site servicing, drainage, and all attendant architectural site works.

The other contract is for the Harris Queensway Group at Ballieston, Glasgow, for the design and construction of a steel-framed single storey warehouse with internal office and toilet accommodation.

George Wimpey Canada has won two contracts jointly valued at \$1.4m. First of these is with Woodbine Downs for site servicing on a private estate at Etobicoke, Ontario, at a value of about \$800,000. The other is for site preparation on a development at Kendall, Miami, Florida, worth about \$600,000, for the Dade division of the Avida Corporation. Both projects have been won in competition—the former for completion in August 1980, and the other in March 1981.

The building extension at Gordon Street will provide further office space for Town Hall departments to replace a small building used by the Borough Valuer's department, and in particular to provide new accommodation for various departments at present in rented premises whose leases will shortly expire.

A basement car park for a small number of vehicles will also be provided beneath the new block.

Construction will be of reinforced concrete frame with brick cladding on piled foundations. A steel-framed mansard roof will be clad in copper. Extension will contain two lifts, suspended ceilings, demountable partitions and an economical heat-recovery heating and ventilation system.

Town hall extension by John Laing

WORK WILL start soon on a five-storey extension to Luton Town Hall under a contract worth about £2m awarded to John Laing by the Borough of Luton.

The company also announces three new contracts together worth about £820,000 for modernisation of 128 flats and 20 houses for Manchester City Council.

Fairweather wins £4m in North and London

NATIONAL CONSTRUCTION division of the Wood Hall Building Group, H. Fairweather and Co., has announced four contracts in the north west, and one in London, totalling £4m.

Warrington Development Corporation has placed a £1.2m contract for the construction of 80 flats at Birchwood, Warrington; a job worth £1.0m is for the extension and alteration of St. Helens' automatic telephone exchange; improvements to warehouse for James Robertson and Sons (PM) of Drayton is worth £225,000; and a further £272,000 is for warehouse and offices at Crewe Gate Farm Industrial Estate, Crewe.

In London, the £223,000 contract is for industrial buildings and office accommodation at Ruby Street, Southwark, for Redlake Industrial Securities.

More Than Builders
Steel, Design, Finance, Construction
Hunting Gate 4444
(0482) 4444

Office and town hall work

THE TRY Construction Group of Usbridge has been awarded building contracts worth about £1.8m by Conder of Winchester in connection with its Kingworthy Building System which has been selected for the new Glaxo Offices at Greenford (£856,701) and a major new extension to Slough Town Hall on the Bath Road (contract worth nearly £1m). Further work, worth over £480,000 is for the redevelopment of offices at Conduit Street, London, W1, for Equity and Law Life Assurance.

IN BRIEF

● Royal Borough of Kensington and Chelsea has awarded a housing contract worth about £1m to John Mowlem to build 42 houses, flats and maisonettes at Berlington Road, Westbourne Park, West London.

● Study on the Far East Construction Market is now available from Industrial Market Research, 17 Buckingham Gate, London, SW1 (01-834 7814). Areas covered include Thailand, Malaysia, Singapore, Indonesia, Hong Kong and the Philippines.

● Wiltshires is to undertake the conversion of four five-storey dwellings in Earls Court Square, London SW5, to 32 flats for Central and Provincial Housing Trust under a £3m project. Its Design and Build team has secured the second phase of a factory extension project for L and P Plastics at Margate.

● Two contracts for coast protection work, valued together at £1m, have been awarded to Mears Contractors by the Aberconway Borough Council.

● Hammond and Champness has received a £200,000 order for supplying lifts at Edward Woods Estate for the London Borough of Hammersmith.

● Property Services Agency has appointed G. H. Buckle and Partners, London consulting engineers, for the electrical and mechanical services design for a new Admiralty interview board building and wardrobe modernisation at HMS Sultan, Gosport.

● Contract for precision covering of four areas of one of the two 32-inch diameter Frigg to St. Fergus gas pipelines will be carried out by Westminster Seaway on behalf of Westminster Dredging Company for the pipeline operator Total Oil Marine.

● J. and J. Fee has recently commenced work on four contracts (value £1.75m) for warehouse units and a factory extension.

Fairclough kept busy

A MANAGEMENT contract for an £11m factory development for BXL Plastics at Bromborough, Wirral has been awarded to Fairclough.

Under the contract, the company will be responsible for the design, procurement and project management of the 10-acre development which will initially produce 20,000 tonnes of low density polyethylene film a year. The development will include a factory, warehouse and despatch facility and an adjacent office block.

Fairclough will also be involved in the design of processing plant, bulk storage silos and pneumatic transfer systems servicing extrusion lines. The plant will be completed in 1981.

Included in £1.3m worth of contracts awarded to the company's north eastern division is a £600,000 conversion of an existing industrial building at Southwick, Sunderland, into ten nursery factories.

At Borough Road, Darlington, the company is providing a tar-macadam-surface car and lorry park with ancillary buildings, under a £185,000 contract for the North Eastern Electricity Board.

Extending pithead buildings at Ackett Hall Colliery, near Pontefract, Yorkshire, is worth £325,000, under an NCB contract, and a further £130,000 is for carrying out an office and laboratory development in an aircraft hangar for British Humberside.

Third contract, worth about £530,000, is for the building of a test hall at the Well Street, Birmingham, factory of Lucas Aerospace.

Finally, South Staffs District Council has awarded a £1m contract for the replacement and extension of the sewage system of Kiner.

At Liverpool, the company is to carry out repairs to St. John's Precinct following a fire there last year for Land Securities (Management) worth about £300,000. For Joseph Crossfield, Cubitts is to construct internal roadways at a cost of about £265,000.

Polyfabrik to re-roof a weaving shed at Coral Mill, Newhey, Rochdale under a £479,000 contract.

At Liverpool, the company has been appointed management contractor for the major refurbishing of the air conditioning system in the neuro-surgical unit of Walton Hospital for Sefton Area Health Authority under a contract worth about £300,000.

Bovis International announces that it is leading a group of British companies in a combined venture with Venezuelan contractors to build low cost housing for the Venezuelan Government.

Awards made to Bovis

OVER £1M has been won by Bovis Construction for projects in the north west and south of England.

Extensions and modifications to a private clinic in Beckenham, Kent, for the Sloane Independent Hospitals is worth £700,000, and include building of a single-storey extension to provide a new operating theatre and x-ray department, plus a two-storey block to link with existing clinic buildings which will provide a 36-bed surgical unit.

In Liverpool, the company has been awarded a contract for three concrete platforms on the Frigg Field has been awarded to Odd Berg, Bergship AS, of Tromsø, by Elf Aquitaine Norge.

The contract will be carried out from mother ship MV Arctic Surveyor, using the new Myren remotely controlled vehicle Snurre 2, which has been specially modified for the operation.

Equipped with a purpose-built submersible handling and control system, the mother ship will operate alongside the platforms with the Snurre 2 carrying out the cleaning job, held against and tracking across the structures using its own propulsion and cleaning with a high-pressure automatically controlled water jetting system. Area to be cleaned ranges from the splash zone and down to 100 metres below surface.

£1m extension for Status Discount and, finally, at Steeton, Keighley, an extension to A. E. Matthews and Son's weaving shed is due to be commenced.

West Yorkshire Co-operative Society has placed a £330,000 contract for a supermarket and shop unit at Wibsey, Bradford.

At Kearsley Industrial Estate, Bolton, the company has negotiated a new parts department, workshop and office for Poelain-Case valued at over £350,000.

At Cemetery Road, Bradford, the company is constructing a

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Industrial building

FOUR CONTRACTS worth together £2.5m have been won by Bryant Construction, for the construction of foundations for a mini steel mill consisting of arc furnace, casting machine, and rolling plant for F. H. Lloyd of Wednesbury.

Second job is worth £550,000, and is for alterations and extensions to the meat factory and cold storage facilities of Walter Smith (Birmingham).

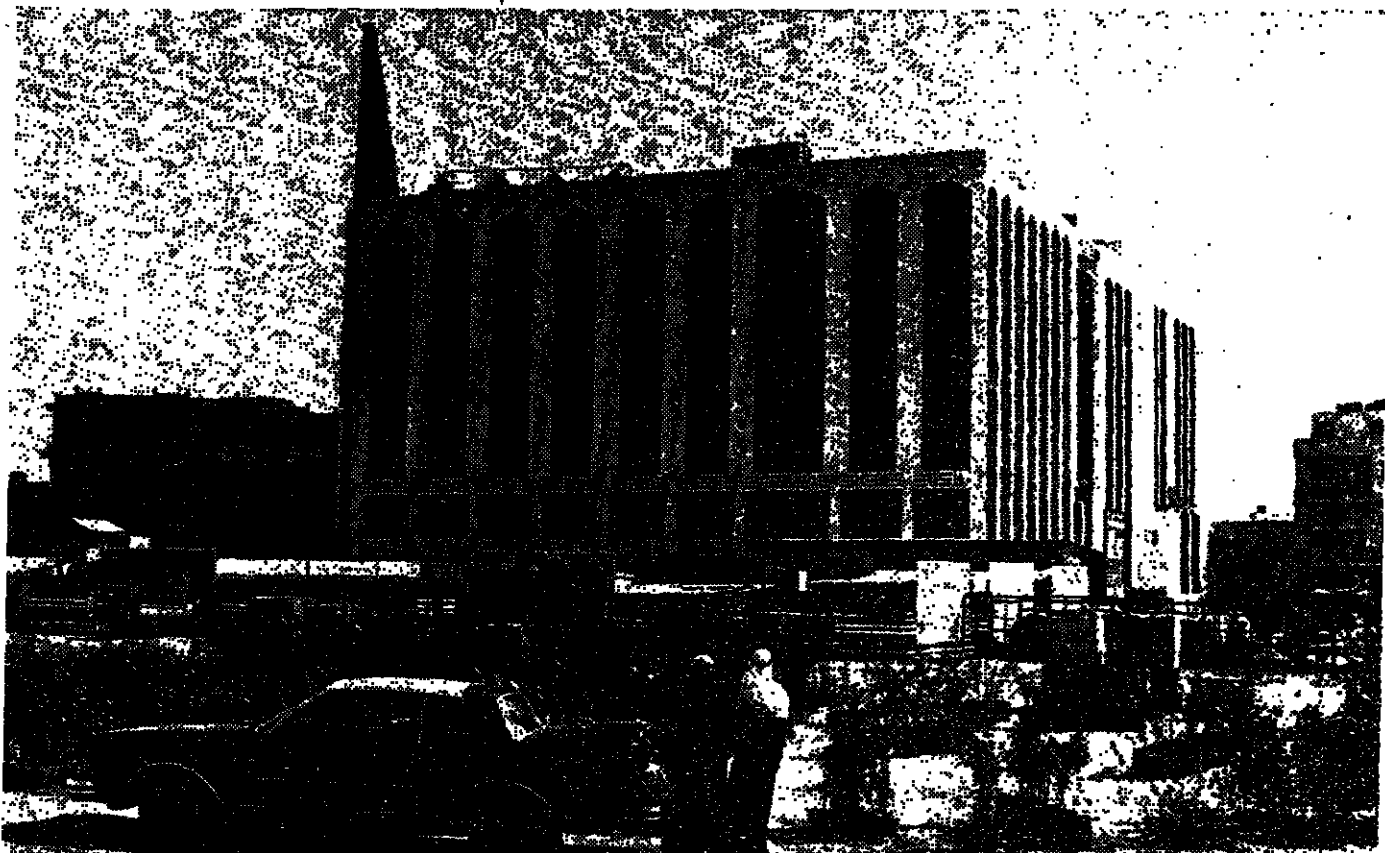
Third contract, worth about £530,000, is for the building of a test hall at the Well Street, Birmingham, factory of Lucas Aerospace.

Finally, South Staffs District Council has awarded a £1m contract for the replacement and extension of the sewage system of Kiner.

Offices and showrooms

GORDON LINDSAY Contracts, part of the Lindsay Westhead group, has won a £4m contract for the European headquarters in Wembley of Levi Strauss International.

Work involves the complete layout and decor design of the entire 54,000 square feet of offices and showroom accommodation in the eight-storey building, and fully equipping and furnishing the premises on which work has begun and is due for completion in September.



Almost completed on the Corniche at Dubai, United Arab Emirates, is the Deira Bazaar, a shops/offices complex that will house the new Gold Souk. The Bazaar was built for Sheik Mohammad bin Khalifah Al Maktoum by Galadari Cementation at a cost of 46m dinars (£6m).

Can be used as a pier, ferry or bridge

A MODULAR water transport system which can be used as a ferry or a bridge has been developed by the Ministry of Defence's Military Vehicle Engineering Establishment at Christchurch, Hants.

The system is based on buoyant, shallow-draft pontoons which can be easily transported three-up on purpose-built trailers. The pontoons can be launched quickly and assembled into flotation units of various size in the water. A number of different formats are possible: two pontoons fixed back-to-back form a pier; three pontoons fastened side by side in a triangular arrangement become a raft, and two similar rafts can be attached to each other to form a large and versatile ferry. Other combinations are also possible.

Diesel hydraulic power units have been specially developed by Deutz Engines and G. L. Rexroth — or, alternatively, Lister Diesel and E.W. Marine units can be used.

The power units specified for the initial ferry system have been supplied by Deutz and are air-cooled twin-cylinder diesel engines. Each engine unit will be mounted inboard and linked to an outboard propeller via a hydraulic transmission system. A special rotary hydraulic shaft seal is fitted which enables the helmsman to swing the propeller shaft through multiples of 360 degrees without twisting the hydraulic cables.

Main role of the diesel/hydraulic engine module is to provide the motive power for the flotation units when they are used as marine transport. Secondly, the engine is used to

power a hydraulic ram for raising and lowering a ramp which enables land vehicles to be taken aboard.

The power unit can also run an auxiliary pump which removes any water that has entered the pontoons when very heavily laden and, consequently, causing them to ride low in the water. However, as soon as they are unloaded or only lightly laden, the water will automatically flow from the pontoons via non-return valves.

In most applications, there will be an engine module installed at each end of each raft, thereby giving the helmsman the opportunity to move in any chosen direction. Thus, for the ferry configuration a total of four engine units are involved. An important feature in the method used for installing the engine/hydraulic modules is

that, in an emergency, they can be removed as an entire package. An entire module can be shifted very quickly from one pontoon to another without leaving the water.

It is understood that when the commercial system becomes available it will be marketed by Fairley Engineering.

Bridge in Devon

INCLUDED IN new work awarded to Tibury Construction is a £200,000 project for a new 70 metre three-span bridge to replace the old Axe Bridge at Colyford, Devon. Reinforced and prestressed concrete structure on piled foundations will be served by 60 metres of re-aligned carriageway.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

EXECUTIVE HEALTH

Letter fatigue

BY DR. DAVID CARRICK

I HAVE written many times about stress—on both its causes and effects. Yet the message is remarkably slow to penetrate. This may be due partly to my own lack of coherence; but a large share of the blame must lie with a few strange people who proclaim orally or in writing that "stress is good for one."

I trust that those responsible are merely negligent or anxious to make news, because the claim is as obtuse as it is pernicious. If those who believe in the virtues of stress were told that the aircraft in which they were to journey was suffering from metal fatigue caused by stress, they would surely change their minds in a flash.

And just ask the poor, long-suffering wives of football maniacs whether their spouses benefit from the stress of seeing their teams beaten into submission.

Stress (said to be an aphetic form of the word "distress") is never a remedial process. By contrast, pressure may bring out the best in people. If this pressure is applied for too long or improperly, however, it soon degenerates into the pathological stress which, at the best is malignant, and at the worst fatal to spirit and morale.

Every good dictionary will support this interpretation. Fowler, in his "Modern English Usage" says: "It is perhaps safe to say that strain is the result of stress; stress being mutual action exerted by bodies or parts, strain is the alteration of form or dimensions produced by it." Thus stress is a physical or psychological factor (or combination of such), which has the effect of altering the object under stress.

Slightly more comprehensible is a definition given in Cassell's "Modern Guide to Synonyms": "Stress . . . when used in reference to a person, indicates a condition of emotional or intellectual distress. There is a suggestion in stress of some external stimulus . . . that exerts a compelling or constraining influence to which the person involved cannot adequately adjust."

In previous articles I have discussed many stressful factors, including frightening letters from Income Tax personages.



"... the stress of seeing their teams beaten into submission"

Recently I have encountered patients similarly afflicted by astonishing letters sent by Debt Collecting Departments of a nationalised industry. One such missive was received by four young girls who were terrified by such phrases as: "If I do not obtain admittance to your premises, immediate application will be made to a Magistrate for a warrant to enter the premises, if need be, by force . . ."

The fact that the outstanding bill of a few pounds was nothing to do with the recipients, was neither here nor there, because the owner of the rubber-stamp signature could carry out the threat in any case, whomever "Dear Customer" might have been.

To an experienced executive, such threats from the innumerable ciphers of overstuffed, amorphous bodies would merely irritate; to a junior member of his staff, or indeed, to his young son or daughter, it could only produce anxiety, and poor co-operation and concentration while the worry was fermenting inside like yeast. If such concern can be felt by the physically resilient young, then to the old and lonely such menacing bombast could lead to illness if not worse.

Naturally a purveyor of goods or services must obtain his money, and because of the deplorable situation in large cities with regard to accommodation, confusion is certain to arise with altering tenancies. But this does not in the least excuse an insolent abrogation of sense and sensibility by named or innominate persons.

EARLY next year, Vernon Weaver may be able to prove what he already firmly believes to be true—that the system operated by America's Small Business Administration of guaranteeing loans by banks to small companies is the cheapest and most effective way in which government can help sustain small enterprises and create new businesses and jobs.

As Administrator of the SBA, a federal agency established in 1953 to help small businesses, Weaver can be expected to take a partisan view of the efficacy of his organisation. But he reckons that within the next year he will be able to substantiate his claim with statistical evidence. What he is seeking to confirm, by way of a major computerised research programme authorised by President Carter, is that the cost to government of bad bank loans and of administering the loan guarantee system is lower than the extra tax revenue indirectly generated by the SBA's stimulation of new business activity.

If Weaver is proved right, not only will the exercise quieten those critics of the SBA who have long argued that the agency is inefficient and wastes money, but it should prove of considerable interest to the authorities, both in the UK and the rest of Europe, who have remained undecided about the introduction of similar loan guarantees—and have generally ended up erring on the side of caution.

The SBA research programme, however, has objectives other than proving the worth of loan guarantees. It will eventually provide what is seen by the agency as the first really accurate picture of small business, giving an insight into such things as the total number of business start-ups and failures each year, and the average first-year volumes of business generated by new companies in different local economic structures throughout the U.S. On a broader front it is hoped it will provide a statistical basis for government to use when formulating economic strategy suitable for smaller businesses.

Weaver, an appointee of President Carter, has weathered several attacks in the past couple of years. He has been accused of maladministration and of favouring minority sections of the population with loans that have no chance of ever being repaid. Fundamentally, there has been speculation over whether the SBA is the right sort of vehicle for government to provide assistance to small businesses, and whether loans and loan guarantees should be handled purely by the banking community, leaving government to supply grants

and similar forms of assistance. Such speculation is clearly of particular significance to the UK in view not only of the endless discussion about loan guarantees, but also of the continued influence of the National Enterprise Board in the field of small company support.

Though he is clearly sensitive to criticism, Weaver's ripostes can be delivered with surprising restraint. He says that over the past three years the agency has become a much more streamlined operation, with a smaller number of staff coping with an increasing workload. And while he acknowledges the probability that a proportion of loans guaranteed to certain minorities will not be recovered, he argues that the amounts involved are small in relation to the agency's total of lending to minorities.

Whether by coincidence or design, some of the sting has already been taken out of such criticism by the fairly radical changes that have taken place in the past year or so in the way the SBA operates, chiefly in relation to the way loan guarantee applications are vetted, approved and guaranteed.

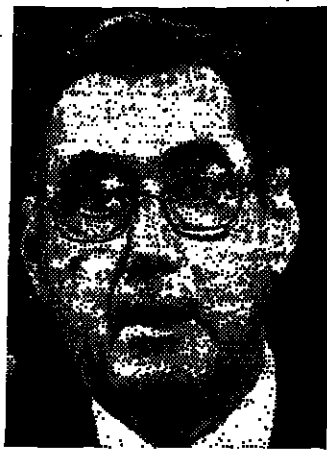
The agency's operation has been reorganised along more "sound management lines," maintains Weaver. It has also been decentralised, with more authority being given to the regional and district offices. Not surprisingly, given the increasing workload—the \$13bn (£5.9bn) portfolio of today compares with \$1.5bn (£680m) in 1968, yet at around 4,700 now there are less SBA employees—something has had to give. This has been the degree to which the SBA involves itself in administering loan guarantees.

Since February, 1979, a key change has taken place. Previously all loans by banks to businesses seeking an SBA guarantee had to be vetted and agreed by the agency itself. But now the banks themselves do the vetting before they seek a guarantee.

This has answered those critics who felt the SBA did not have the relevant expertise to carry out adequate vetting, though others saw it as giving the banks carte blanche to expand their lending at no real

U.S. small business: the pros and cons of positive discrimination

BY NICHOLAS LESLIE



Vernon Weaver, whose Small Business Administration once helped the one-time small businessman, Jimmy Carter, with his peanut business.



is hard to find a more independent-minded bunch of people—it is a highly governmental organisation, strongly influenced by political fashion. Its administrator and his deputy are both appointed by the President and there is a strong element of Senate control over what funds it can channel, and where (not that this precludes a fair degree of sniping at the SBA from various corners of Capitol Hill over the way it operates).

Small businessmen can be sceptical about whether the SBA's loyalties really lie with them rather than the government machinery. For example, even when told that the agency has been responsible for ensuring that an increasing proportion of federal procurement contracts has been directed their way, many remain unconvinced, and argue that much more needs to be done.

How long this dissatisfaction will persist may well depend on the success of one of the most recent innovations within the agency. This was the setting up in 1978 of an "Office of Advocacy," and the appointment—again by President Carter—of Milton D. Stewart, a lawyer, as the first Counsel for Advocacy of the SBA.

Stewart's role, broadly, is to ensure by judicious lobbying that his office helps reduce the burdens that federal policies impose on small firms and to maximise the benefits that small firms get from government. In effect, the detail of his brief was added to, if not re-written, by small businessmen themselves in January when delegates to the White House Conference on small business drew up a series of recommendations which, if implemented, they felt would most help them.

The extent to which those recommendations are acted upon by government will no doubt be interpreted by the boards of small U.S. businessmen as a pointer to the real effectiveness of the SBA and its willingness to act on their behalf.

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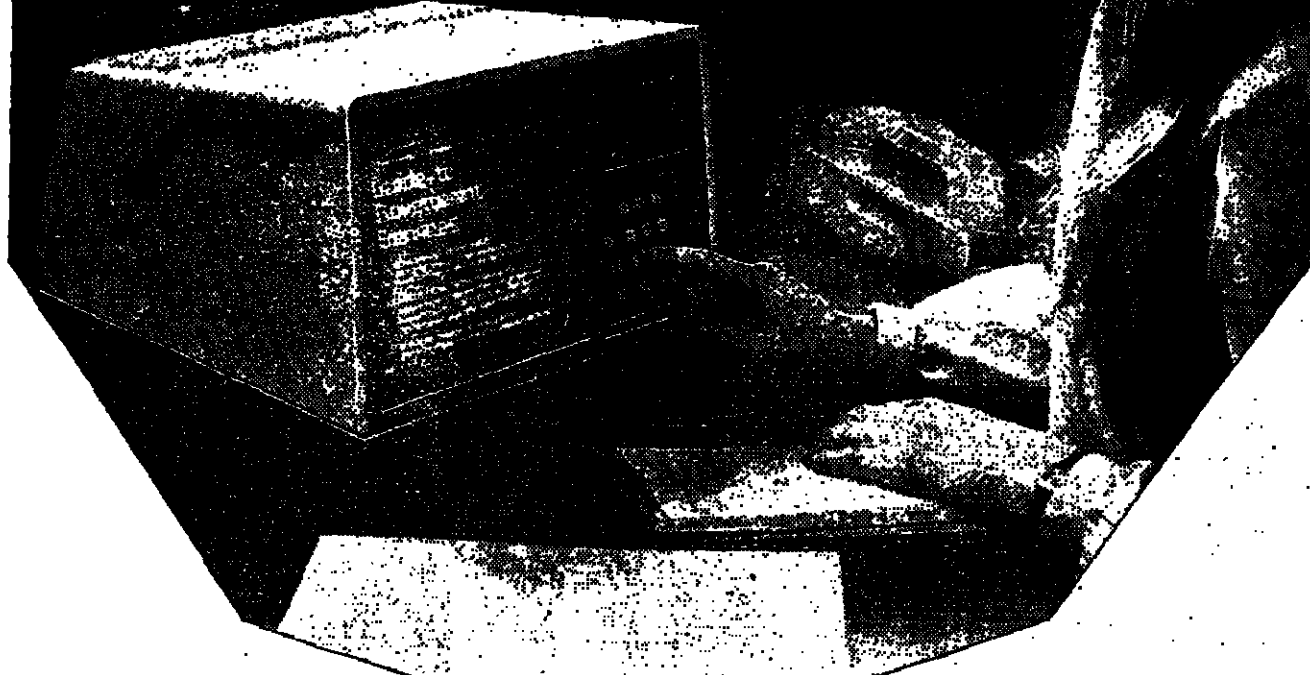
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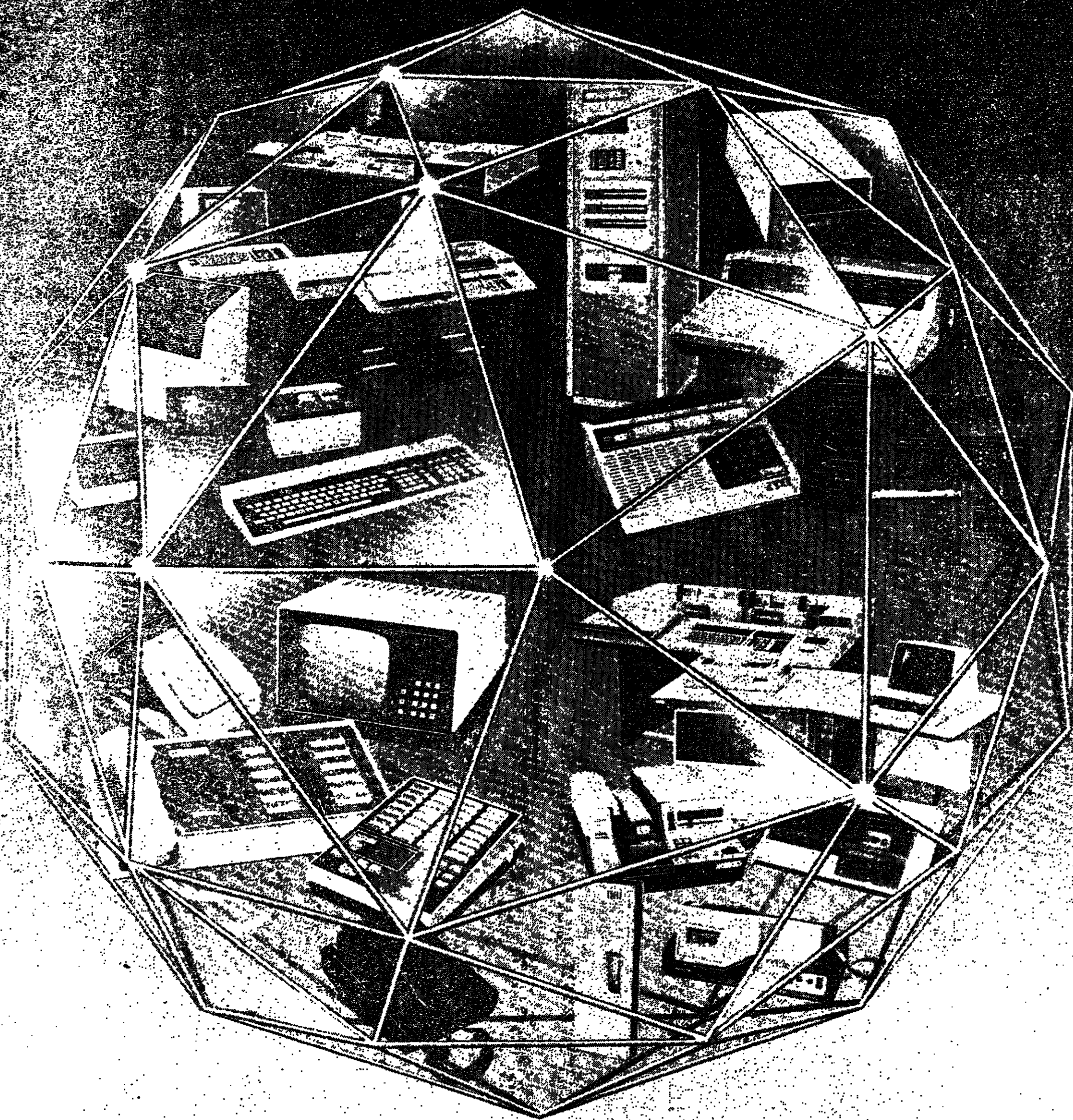
You may also be able to apply after 1st June, 1980, for cancellation if you have been registered for two years and your turnover (including VAT) in each of the last two years has not exceeded £13,500.

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THE ARTS

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Grand Theatre, Leeds

The Mines of Sulphur

by RONALD CRICHTON

English National Opera North, in reviving Richard Rodney Bennett's *The Mines of Sulphur*, show that it is worth doing, and do it well. The libretto by Beverly Cross, it may be remembered, is costume-hokum set in a decaying English country house in the mid-18th century. A band of scrofulous players shelter there on a winter's night and perform for a gang of ruffians who have just murdered the owner, borrowed his money, and plan to steal his treasure. The mummies select a play, *The Mines of Sulphur*, which comes, unpleasantly near the knuckle. They unmute the gang, who turn them out. But Jenny, one of the actresses, reveals before she goes that the actors are ghosts of players who came to the house long before when they were fleeing from the plague in London, bringing pestilence with them as she gruesomely demonstrates, she carries it too.

The ending is telling enough almost to stifle some literal-minded questions — why don't the spirits materialise in costumes of their own period, a century earlier, and how can ghosts transmit plague? Perhaps the story shouldn't be taken so seriously, in which case the treatment is rather ponderous and circumstantial. But Bennett's music, while hardly achieving the toughness he claims for it, helps greatly. His orchestra, eerie horn-calls and all, is strongly atmospheric. The vocal lines, while ranging widely, are not ungratefully jagged. Above all, Bennett is adroit in his sparing employment of the typically English medium-paced arioso writing which infected some operas by his contemporaries like creeping paralysis. There isn't, on the whole, much to be said for the story, but the music for the play within the opera and the rest.

Colin Graham's production and Alex Stone's designs have both come up freshly. On Friday, Clive Timms conducted a performance which would not easily, for suggestiveness and finesse, be matched in an equivalent Continental opera house. The cast is strong. Robert Ferguson, Thomas Lawlor and Fiona Kimm as the fake gentry, Eric Garrett, Mark Hamilton, Michael Lewis, John Fryatt, Ann Howard and Sally Burgess as the players, were all good. As Jenny Miss Burgess, who is rapidly becoming a singing-



Sally Burgess and Mark Hamilton

actress of wide stylistic range and authority, was particularly impressive. As Rosalind, the gipsy posing as a lady, Miss Kimm did well in a sentimentally conceived role.

There was a good, appreciative house. Even if the ultimate rating of *The Mines of Sulphur* turns out not to be terribly high, the opera is capable of doing what so many mainstream contemporary works fail to do — break down partly imaginary barriers of taste. The Leeds opera public is fertile soil. These other works of the period in the ENO repertory would further revival — especially now, when commissions for new works are likely to trail off. High among these stands, William's *The Violins of St. Jacques*.

The Copley-Walker *Rosenkavalier* from the Coliseum is also now in the Northern repertory. The production, as rehearsed by Roderick Horn, loses little as a spectacle in the

smaller frame. The second act is a bit run down, but the first actually gains with increased intimacy. Fitting Strauss's lavish orchestra into this pit (not at all a bad one by British regional standards) is another matter, though one has heard many *Rosenkavaliers* where fewer words came through. David Lloyd-Jones, conducting with energetic use of elbows, might, all the same be more sparing with the brass.

Lois McDonald's Feldmarschall is a vintage assumption even if she sometimes leads her exquisite pianissimo to the brink of inaudibility. Eiddwen Harry's new Oktavian produces much capital well-formed singing and was amusing in the supper scene; elsewhere she has not quite captured the breeches style. The Sophie of Laureen Livingstone and the Ochs of Dennis Wicks were thoroughly sound. There was a ripely servile Faninal from Derek Hammond-Stroud.

Teatro Comunale

Die Walküre by WILLIAM WEAVER

Last spring the Teatro Comunale presented a new production of *Das Rheingold*, designed by Pier Luigi Pizzi and staged by Luca Ronconi. Thus the Florence theatre revived a projected Ring initiated by La Scala in 1974 with *Die Walküre*, continued the next year with *Siegfried*, and then abandoned. The Florence resurrection of the Ronconi-Pizzi Ring will obviously continue, in the near future, with a concluding *Götterdämmerung*.

In the meanwhile, in the course of its generally excellent winter season, the Comunale has brought the *Walküre* production from Milan; and the opening night proved an immense, warm success. The performance was far from perfect, but it managed to be impressive all the same, the impact of the whole overcame the defects of the parts. Much of the credit must go to the Comunale orchestra, which had begun to improve a year or more ago and now, just in the past months, has made astonishing progress. The presence of Zubin Mehta on the podium no doubt inspired the players to do their best; but even with less glamorous conductors, in the course of this season, they have achieved admirable results.

Mehta's view of the opera, one would say at a single hearing, lies somewhere between the chamber intimacy of Karajan and the heroic vigour of Solti. Naturally a final opinion must be postponed until the Ring is

complete and can be heard in sequence. Here, in this *Walküre*, the conductor tended to stretch the tempi, lingering over details; and on occasion this affectionate extension became too languorous and tension was lost (the crucial Act II *Brünnhilde-Siegfried* duet was a case in point).

It must be said that Mehta did not have ideal singers at his disposal. The *Siegfried* was Wolfgang Neumann, a serviceable tenor, substituting at the last minute for Heribert Steinbach (who made an excellent impression here in *Rheingold* last year); it would be uncharitable to blame Neumann too severely for shortcomings, since he was working under a handicap and in effect saved the show. His *Sieglinde*, Maria Napier, was not in best voice, and the weakness of her lower register diminished her efficacy, though her final phrases took flight and soared.

Gwyneth Jones was in wobbly condition. She looked beautiful, and at the end, when she could sing softly, she managed to be moving. But the heroic, ringing music was beyond her. The steady, focal voice of the evening was Wotan's: Siegmund Nimsgerg has a grainy, potent bass with a great expressive capacity. If his interpretation was more paternal than god-like, this was in line with Ronconi's domesticated view of the work as a whole. In smaller roles, Carol Wyatt (Fricka) and Bengt Rundgren (Hunding) were ex-

cellent. Ronconi's Ring is now clear: a Victorian family story, set in blank rooms and deliberately theatrical spaces (the Siegmund-Hunding duel takes place against a backdrop of painted clouds), with a few props. Pizzi's sets use his familiar ingredients: mirror-walls, rhetorical 19th century easel painting, equestrian statuary, grey brick columns. The stage-pictures are all pleasant to look at, but a sad dilution of the heady, generous Wagnerian draft. The lunar brilliance of the first act was dulled, and the final fire (which, like some other effects, was late) lacked any magic. Ronconi may have saved some of the bath water, but the baby is gone.

There were also a few silly bits: in the first scene, to indicate that Sieglinda has noticed her own resemblance to the strange guest, the soprano is made to take a strand of the tenor's hair between her fingers and hold it, comparatively, against her own locks (as it happened, the hues of the two wigs did not quite match anyway).

While one awaits eagerly the completion of this Ring, the suspicion arises: by the time it is finished and ready to be performed in sequence, it will already be old hat visually. It has already lost its capacity to excite in a year or so it will probably have lost also its capacity to arouse interest. But happily there will always be the music.

Purcell Room

Ensemble by PAUL DRIVER

Four generations of English composers were interestingly spanned in Saturday's full but purposefully arranged recital. Styles varied enormously, from the turgid pastoralism of Vaughan Williams's *Mercuries* beaute (the one miscalculation of the programme) to the suave pointillism of Birtwistle's *Precis* for piano. Yet one felt willing to hazard that some common quality of sensibility was discernible in the sinew of all the pieces, right up to the latest — two works by Ensemble's director Avril Anderson and a strangely affecting musical study, *5 Sequences*, by David Sutton, receiving its first performance in a chamber version.

The idea of this piece is to effect in five "moves," so to speak, the displacement of a borrowed tonal formula from the harmonic plane, where it has its conventional meaning, to a purely timbral plane on which it might acquire an analogous

but entirely new meaning. In practice, that new meaning was not achieved: the original harmonic frame remained palpable to the end. But the stages of transformation were richly expressive: instrumental colours, particularly low woodwinds and acidulous string harmonies, wrought kaleidoscopic changes on the basic material, throwing out peculiar, dream-like associations with familiar things — the 9th, triplets, variation of the *Diabelli*, for example, or even a fragment of the *William Tell* overture. It proved an engagingly fanciful composition, unpretentious and concise; suggesting models as far apart as Stockhausen's *Adieu*, Reich's process music and Holloway's *Serenade in C*, yet defining its own tight little space.

Avril Anderson's woodwind trio, *Thomas' Madrigal*, derives its idiosyncratic pattern-making from borrowed material: the creditor here is Thomas Morley

— in a not dissimilar way. One could clearly perceive cadential flourishes of the original being seized and anatomised for fresh agitation. As in her *Monostatus* for clarinet, bizarre and complex statements are the result of very simple schematisms. She shares with Sutton a plain but daring and tenuous approach to sound. *Black eyes in an orange sky*, a kind of sonatina for wordless soprano and the inside and outside of a piano (well projected on Saturday by Lorraine Anderson and Claire van Kampen) rejects all but the barest melodic shapes, unisons, plucked notes; but in a novel manner distils music both expressionist and icy. Perhaps it is the quality of austerity that the best items in the concert had in common. Additionally this was evidenced in extremely competent performances of Goehr and the Birtwistle and of Britten's sternly economical op 2 Oboe Quartet.

Wigmore Hall

Coull Quartet by DAVID MURRAY

Within a few years, Britain has come out in a rash of bright young string quartets. One of these is the Coull Quartet. On the basis of their recital on Saturday, one would judge them more enterprising than secure, more committed than polished. Their musical ensemble is consistent, their joint execution variable.

In Haydn (op. 76 No. 5, in D) the collective Coull tone was

notably warm and full, in a reading direct and purposeful enough to cajole one's preference for a leaner sound in this music. Only in the final Presto did the extra weight seem a hindrance. In both the subsequent pieces, a certain bottom-heaviness was more obstructive — the quartet boasts a particularly strong violist in David Curtis, and against the viola-and-cello pair in Coull violins

are a little under-nourished. The technical hazards of Janáček's 2nd Quartet, which audibly taxed them all, exposed that rudely; its great spread chords suffered (and pitch was shaky). The dramatic spirit of the work was certainly present, but its surface can be more ingratiating. I must add, though, that the fraught dance-echoes in the latter movements were realised unerringly.

Beethoven's op. 95 Quartet, the F minor "Serenade," set a substantial challenge, not fully answered. Ideally it requires more precise unison playing at speed than they could always manage, though the general effect was plausible. The finale, *diminuendo* of the *Allegro* in *brio* was delayed too long, so that the end seemed an abrupt accident: the first fugato of the *Allegretto*, and the Trio of the *Scherzo*, were delivered without conviction. Otherwise the dark intensity of the work was well maintained, with many perceptive details held nicely in scale. Sharper technique will brighten the promise of this team.

Elizabeth Hall

Dinorah Varsi

by RICHARD JOSEPH

On Sunday afternoon at the Elizabeth Hall Dinorah Varsi wisely prefaced her performance of Schubert's vast Piano Sonata in A D959 with a couple of little-known Mozart miniatures. The quirky, polyphonic Gigue K374 and the emotional, overwrought E minor Adagio K340 were both dispatched with assurance and imagination.

But Varsi's evident ability to characterise short, simple structures did not aid her in the extended opening movement of the Schubert Sonata. Despite well-chosen, uniform tempi and a likeable tone colour, Varsi often lost sight of Schubert's architecture. Crucial passages, such as the increase of harmonic tension that leads into the recapitulation, sounded arbitrary, lacking the necessary sense of inevitability any structural argument must carry. This thapodic, occasionally over-pedalled reading might be explained as a Schumannesque view of Schubert's harmonic procedures, but in the romantic slow movement (which carries the strongest pre-echoes of Schumann) Varsi chooped the tempestuous middle section into a series of short, choppy phrases, that again failed to

make any cumulative point. The steady figuration and rhythmic momentum of the finale naturally enabled her to give a more cogent performance, and here Varsi's range of colour and balanced sense of phrasing came into their own. Overall, one got the impression that the splashy, poorly coloured playing of certain sections will clarify once this artist takes the time to consider the musical context away from the many manual and technical problems Schubert presents.

Odeon, Hammersmith

Apparently almost three quarters of a million people applied for tickets for the current Genesis tour which arrived in London on Thursday. A good proportion of this number seemed to be crammed into the Odeon, synchophants to the man, happy to relive the past decade with the three strong group (plus two paid supporters on drums and bass) who were once famous for being from Charterhouse and are now celebrated as perhaps the leading Art Rock

band still in business, with the A perhaps standing for "A" level—the intellectual background of most of their fans. It could easily apply to Art. Because Genesis have remained faithful to the theatrical approach to rock. Although without the 30 strong travelling crew which used to accompany their world tours Genesis can still grab the eye as much as the ear. On Thursday the excerpts from "The Lamb Lies Down on Broadway" climaxed with some

Genesis by ANTONY THORNCROFT

of the prettiest mauve smoke I have ever seen.

There was also music, which is perhaps harder to take seriously. There can be no doubting the musicianship of Phil Collins on vocals and the force on guitar and Tony Banks on keyboards, and they were well filled out by a couple of Californian pros. But too many of the melodies promise much and deliver little. Genesis appeals to the mass brought up

on rock but wanting something more challenging. The intimations of contemporary classical music (if there can be such a thing) are apparent.

Even so in their own portentous terms a Genesis concert is a rare experience, as it rambles over night on three hours. The audience is so committed that Phil Collins can, and does, address them like an embarrassed unmarried uncle forced to amuse a gang of children, putting on a funny voice

he made an unscheduled appearance at Nice in preparation for the first test since those magnificent Masters victories against Tanner, Connors, Higuera, McEnroe and Gerulaitis.

For today in the world's most beautiful tennis setting—the triple-tiered Monte Carlo Country Club which nestles on the slopes of the Alps Maritime above the shimmering blue Mediterranean—Borg defends his title in the Monte Carlo Open, the penultimate event of the eight-tournament WCT circuit which has its finals in Dallas at the end of next month.

Sponsored by Volvo of Sweden, the new supporters of the Grand Prix, this popular Easter festival meeting has attracted an unprecedentedly strong field. Six of the top seven men in the world are competing, two of them, the Americans John McEnroe and Jimmy Connors for the first time.

Last year's finalist Vitas Gerulaitis is seeded fourth this time and the Argentine left-hander Guillermo Vilas is at five, followed by that unobtrusive but solidly successful Spaniard Jose Higueras.



Houses on Beacon Street, Boston, Mass.

Francis Kyle Gallery

Paul Hogarth

by COLIN AMERY

Paul Hogarth occupies a special niche in the world of drawing. He has taught generations of students to draw and gone on to show them by his own example that it is possible to make a living as an artist and illustrator without compromising high standards. Paul Hogarth has developed his own personal style and, as this exhibition shows, it is instantly recognisable.

At the Francis Kyle Gallery (until April 18) he is showing the work of the last ten years, which he describes as "Travels through the Seventies. Throughout the fifties, sixties and seventies Hogarth has travelled. He describes his perpetual wanderings as "the terrible itch for the unknown." He is fascinated by places and by architecture and his drawings communicate all the diversity and richness of the world.

These are not studio works and certainly in this exhibition one feels as though what is on the walls is a very direct response to particular places. Hogarth doesn't draw on a narrow canvas; he has recorded China, South Africa, Poland, Ireland, France, Germany, Morocco, Russia, Spain and most of the United States. He has often worked with distinguished writers Brenda Behan in New York and Ireland, Robert Graves in Majorca, Doris Lessing in Zimbabwe and Stephen Spender in America.

During the seventies Paul Hogarth lived and worked for long periods in America and this is the major influence on this exhibition. He shows first of all how he reacts to the American urban landscape, and secondly, reveals the "sens of surprise that Americans themselves feel as they contemplate God's own country.

As both an observer and reporter of the American scene Hogarth is unrivalled. In his lively view of the Vanderbilt mansion on Long Island the uninhibited vulnerability of the grossly opulent building looms out of the frame. In a view of an earlier part of America's past he has drawn a view of Nantucket and of the Congress Hall at Philadelphia — both heavily restored examples of the Americans' way of seeing their own past.

Somehow the past appears as stage scenery with Hogarth's caricatures of modern Americans looking like very unlikely

inheritors of the gifts of their founding fathers. Even in America Americans are tourists. Women with unsightly rolls of flesh and too tight clothing parade themselves in front of a Los Angeles motel—California sleaze instead of the usual portrayal of its cosmetic comforts. How telling is Hogarth's drawing of the elderly hippie in Hollywood hovering outside the occult book store.

New York emerges from this show as the last great European city. Hogarth has captured much of the energy and contrast of this great city, his view of Madison Square with the little buildings among the giant skyscrapers shows a side of New York that Europeans often prefer to all the thrashing of the city's more obvious monuments to commerce. The United Nations building down by the windy East River looks as fragile as the ideals that support it.

In Boston the houses on Beacon Street look like prim Puritan ladies in their black bonnets while the drawings of Chicago capture much of the harshness and physicality of that city. The plan of the drawing of the Grand Opera House at Wilmington, Delaware, is one of Hogarth's best architectural studies. The madly detailed yet sturdy Victorian building has a real presence and dignity and all the qualities of a rather out of date grande dame.

But this exhibition is not just about architecture or America and it is interesting to observe the contrasts of technique and style when Hogarth is at home on his island of Majorca. Here the mood is very different. It would have been easy for him to have drawn the harmony of mass tourism or to have made some pointed observations about the British in Spain, but instead he concentrates on the beauty of the island's coast. Using a lot of simple blue washes the curiously Moorish beauties are effectively invoked. His palate is calmer here and the mood pleasing and restful.

Hogarth is a very skilled topographical artist and this exhibition gains in importance when it is realised how extensive his influence has been on younger artists and illustrators. They would be wise not to copy Paul Hogarth but to do what he has always done, and maintain the integrity of their own personal style.

SOCCER BY TREVOR BAILEY

Setback for the Liverpool machine

ALTHOUGH THE odds on Liverpool achieving the double by retaining the League Championship and winning the FA Cup remain very bright, a number of obstacles still need to be negotiated, including Manchester United, still pursuing them in the League, and Arsenal, in the semi-final of the Cup.

On Saturday Liverpool experienced one of their rare setbacks. They not only lost to Tottenham Hotspur, whom they outclassed in their previous encounter, but United closed the gap at the top to four points by winning 2-0 at Selhurst Park. They have the chance to reduce it further, and could statistically be level on points at the end of the week. Admittedly, this is unlikely to happen because United would have to win away at Nottingham Forest, never noted for their generosity, and beat Liverpool at home, while the Merseyside machine would also need to lose to Stoke.

Even though Dave Sexton's team gave a thoroughly professional performance and exploited the tactical naivete of the comparatively inexperienced Palace, they seldom suggested more than being well organised

and competent. They have an efficient and well disciplined rearward, a busy midfield foursome, which includes two basic wingers in Coppell and Thomas, and a sharply contrasting double spearhead, comprising the tall strong Jordan and the small chunky Macari.

The efficiency of the United back four was best illustrated by the way the threat from Walsh and Flanagan was obliterated after the first quarter of an hour, in which Jordan's timely intervention of the admirable Buchan prevented disaster. The United defence soaked up the pressure throughout the first half, and the longer the game progressed, the less likely it seemed that Palace would score.

The difficult point lay in deciding to what extent the home side's failure was due to lack of ability and how much to the defensive skill of their opponents. The answer was a combination of both. Palace gave the ball away too often, especially in the second half, and were not sharp enough in the box. However, United deserve

much credit for stopping them playing as well as usual and for never losing sight of the fundamental that matches are won by teams who take their chances.

Although the visitors created far fewer chances than their opponents, they scored two fine goals. The first was started by their left back, the impressive Albiston, carried on down the left wing by Thomas, who provided the perfect centre, and completed by the head of Jordan, who showed the value of an old-style centre forward. A long, powerful drive from the left foot of Thomas, following another of those neat counter attacks with which they punctuated the second period, settled the issue.

The present Manchester United are a good, mature team, but lack the genuine class of Liverpool, or the Forest of last season. Coppell, Wilkins, McIlroy and Thomas have considerable skill, but not as much bite as the Liverpool half-back line. Macari has lost some of the pace which made him such a fine lead forward and, though Bailey had a good game and has conceded only 26 goals in 34 matches, one still has the

feeling he might make a vital error.

However, there is no gainsaying of the strength of that back four and the superb covering of Buchan.

Crystal Palace have every reason to be well pleased with their return to the First Division, where they have established themselves playing stylish football. Although they failed to capitalise on the opportunities they created against Manchester United, they are steadily improving, produce many attractive moves, and in the next season or so, could become one of the finest sides in the League.

They also have Hilaire, who is so brilliant in possession that he can undermine even such a well organised defence as that of United. On one occasion, he evaded three tackles in the penalty area before providing a pass which deserved, and should have provided, the equaliser.

As an unorthodox forward with a roving commission, this small player with outstanding control and balance brings excitement every time he has the ball.

TENNIS BY JOHN BARRETT

Borg faces a difficult year

BY HIS own admission this year, which will include marriage in July, will be a testing one for world champion Bjorn Borg. After seven punishing years of continuous play which, at the age of 23, has brought him a record four consecutive Wimbledon titles, four French Opens, two Italian titles, the WCT championship, and last January, a first Masters crown, this remarkably young Swede has consciously curtailed his programme.

Planning to compete in only eight or nine tournaments to conserve nervous and physical energy for the main targets at Paris, Wimbledon and Flushing Meadows (especially the latter where he has yet to win) and to allow time for those less demanding but more lucrative special events—like the love doubles he will play with his fiancée Mariana Simionescu against John and Chris Lloyd in Battersea Park on May 19—Borg is in no doubt about the difficulty of the task he has set himself. In the past he has thrived on competition; it remains to be seen whether he can peak at the right moments without it.

Perhaps that is why last week

court with dipping flight and also makes it awkward to attack against because of the way the ball rears up off the court. Nor is it easy to volley against passing shots that fizz and dip.

Borg's natural topspin forehand hit with a semi-Western grip, and his topspin backhand, the double-handed backhand, have rewritten the rules and made him almost unbeatable on clay courts. For orthodox players the length of drives is important; anything short can be punished. But Borg's high, fast-kicking drives, hit with a huge margin of error, often land around the service line.

Anyone trying to come to the net against them must first time the bucking ball cleanly (no easy task in itself) and then face either another dipping ball on the volley or a fast spinning lob. If the opponent decides to stay back he cannot hurt Borg without taking tremendous risks, and thus he often destroys himself through frustration.

Inspired by Borg's successes and mindful that the majority of tennis today is played on slow courts, more and more adopted topspin as a basic style.

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Politics and shipbuilding

ONE OF the reasons why nationalised industries are so difficult to manage—and why the job of managing them is so unattractive—is that they are subject to constant political interference. The authority of management is undermined by open or, more often, behind-the-scenes pressure from Ministers and civil servants. This has happened as much under Tory administrations as under Labour ones. The result is poor morale, more difficult labour relations and a feeling of impotence on the part of those who are trying to run the business and to work out a sensible strategy for the future.

BP solution

Is the present Conservative Government likely to be any better in this respect than its predecessors? Judging by recent statements from Sir Keith Joseph, Secretary of Industry, on the subject of British Shipbuilders, one cannot be optimistic. There is talk about preparing the ground for partial nationalisation, whether through a BP-type solution or through selling off the profitable naval yards. Ministers are said to be anxious to make decisions on these matters within the next few months, since it will take two years to get the necessary legislation through Parliament.

Is there any reason for this activity other than party political dogma? The shipbuilding industry, which has had to contend with an extraordinarily difficult adjustment to drastic change in world markets, has been battered by political dogma for most of the past decade. The run-up to nationalisation lasted a very long time, partly because of the precarious position of the Labour Government. It was complicated by peripheral arguments over, for example, whether ship-repairing should be included or not. One result was that the man chosen to run British Shipbuilders lost patience and decided to pull out. The internal efficiency of the industry was undoubtedly damaged during this period of uncertainty.

Now one may question, as we did at the time, whether nationalisation provides an appropriate framework in which the problems of a declining industry can best be tackled. But the fact is that shipbuilding

was nationalised, that British Shipbuilders now exists, that a large amount of capacity has been cut out with a remarkable degree of harmony and that, helped by a modest recovery in demand, the business appears to be moving in the right direction—though it is still a long way from viability.

If this improvement is to be maintained, the new chairman and chief executive—the present incumbents are due to be replaced within the next few months—will need not only management skills of the highest order but also some assurance of political stability. The experience of British Steel is a warning of what can happen when an industry is bedevilled first by threats of nationalisation and then by erratic intervention on the part of Ministers.

Unstable

In any case talk of de-nationalisation at this stage makes no financial sense. It will be a good many years before British Shipbuilders makes the kind of returns which would be attractive to private investors. No doubt the naval yards could be sold off, but the Government would then be left with an unstable ramp: the task of restoring the industry as a whole to profitability would be made all the more difficult.

The long-term objective must be to have in the UK such shipbuilding capacity as can compete in world markets on a commercial basis, without support from the taxpayer. The Government should appoint the managers, set them financial targets (which should provide for a tapering amount of support from public funds) and let them get on with the job. It may be that to reach the objective the managers will need to sell off or shut down some yards, form joint ventures with the private sector or specialise in particular types of ship; but that should be their responsibility, not that of the Government. The timetable within which to achieve viability has to be a political decision: once made, it should be adhered to. But the Government should not allow the desire to meet its manifesto commitments as quickly as possible to override the need to provide a stable environment in which the problems of the shipbuilding industry can be tackled.

Props for the Swiss franc

FOR SIX MONTHS, Switzerland has been fighting an uncharacteristic rearguard action to support its currency. The latest move came on Friday with the announcement that the Swiss National Bank was prepared to intervene heavily to prevent the Swiss franc falling below a publicly-set "floor" against the Deutsche Mark.

Experience

The Swiss probably have more experience than anyone else of battling with the trials of an over strong exchange rate. But now the authorities are vexed with the problem of shoring up a currency that has weakened significantly as a result of sharply higher interest rates abroad and a worsening inflation and balance of payments performance at home.

The fall over the past few weeks, coming only around 18 months after the currency was driven to unprecedented peaks in autumn, 1978, has caused some fundamental reappraisal of the Swiss franc's role in the more tightly managed system of floating exchange rates that has been loosely evolving over the past year and a half.

The central bank's announcement that it intends to intervene to stop the Deutsche Mark rising above 95 Swiss centimes appears to mark a further stage in the franc's general integration into the general bloc of European currencies grouped around the D-Mark. Switzerland has always been reluctant to align itself directly with the European Monetary System or its forerunner, the European "snake". It feared, with some justification, that formal integration obligations would force upon it unwelcome economic policies and a loss of monetary autonomy.

It has tried insulation—but it has not worked. In a world swept by increasingly volatile capital flows, the authorities have now come to terms with the reality that it is impossible to run a monetary policy that does not take considerable account of what is happening outside their borders—in particular, in West Germany, by far and away Switzerland's most important trading partner. In practice, this entails a considerable degree of linkage between the Swiss franc and D-Mark exchange rates, which the National Bank has now formalised with the pro-

nouncement of a public intervention target.

The changed intervention strategy has its roots in the National Bank's decision in October 1978, at the height of the dollar crisis, to set a ceiling for the franc against the D-Mark to help dampen extreme upward pressure on the currency. The upper limit was for the D-Mark rate chosen at "well above" 80 centimes. A combination of large scale intervention and the dollar's general recovery kept the franc remarkably stable at around 90 centimes to the D-Mark until last October.

But since then the currency has been weakening steadily, with the decline accelerating this month in the wake of the severe monetary squeeze in the U.S. Over the last six months, the franc has fallen by about 15 per cent against the dollar and 6 per cent against the D-Mark—which itself, has been very weak, falling to the foot of the European Monetary System on Friday. The declining exchange rate and rising prices for oil and other commodities have pushed import prices to a startling 39 per cent above their levels a year ago. This has raised fears that consumer price inflation, currently running at 4 to 5 per cent (against 1 per cent in 1978) may increase further.

Interest rates

The Swiss authorities have already taken a number of measures over the past few months to support the franc, including an increase in interest rates and the dismantling of many of the barriers to capital inflows built up over the past five years. The National Bank was actively selling dollars on Friday to defend the new rate against the D-Mark, and succeeded in pushing up the franc slightly. But the authorities are well aware that intervention alone is not enough to bring about a correction in exchange rates once the market has got the bit between its teeth.

Unless the exchange rate pressures ease of their own accord, an essential element of the new strategy may thus have to be a further increase in Swiss interest rates over the next few weeks. However unpopular it may be, domestic Switzerland may be forced to recognise that, with prime rates at 19½ per cent in the U.S., it can no longer be a low interest rate oasis.

For the past two and a half years, small businesses have been assiduously courted by politicians of all Britain's main political parties. Every few months has seen a new announcement of some innovation or reform aimed at making their lives easier at a time of economic difficulty and industrial recession. Every Budget has contained tax concessions aimed at encouraging them and their backers to invest more, and almost every Department in Whitehall has been drawn into policy-making on the subject.

Last week's Budget was no exception: indeed it produced probably more wide-ranging selection of measures seen since the Labour Government started the fashion in the middle of 1977 when Mr. Harold (now Lord) Lever was appointed Minister responsible for co-ordinating policies on small business.

The motivation that caused Mr. James Callaghan, then Prime Minister, to give Mr. Lever this job was basically the same as the present Government's—despite their different political outlook. At a time of rising unemployment, when there is little prospect of large companies expanding their labour forces, small firms are the main hope for new employment opportunities. They are also needed as seed-corn for future large businesses, for new ideas and for innovation.

The problem is not restricted to the UK. Many other countries, ranging from France and Germany to the U.S. and Japan—are concerned about the future of viable, small businesses and have been urgently drawing up policies to encourage their growth. Some countries, like the U.S., have special organisations to look after their interests (see today's Management Page) while elsewhere special financing and other arrangements have been created to channel State help and financial underwriting towards entrepreneurs.

But anyone who believes that the problem of how to sustain a viable base of small business has been solved. Even in Japan, where there are about 5.4m small businesses employing 52m people, there is concern about whether the right sort of firms are being set up and fostered.

In the UK, according to provisional figures being assembled by a current Industry Department survey, there are 1.3m small businesses employing some 4.2m people. Small firms are defined as those employing 200 or fewer people in manufacturing industry, with comparable size limits for other industries.

In practice this means businesses which are owned and run by only one or two people, and which have a relatively small share of their market. These are the concerns most vulnerable to economic pressures, and especially high interest rates as the present high state of bankruptcies in the UK has shown.

Indeed, in some countries (including Japan) there is concern about how to differentiate between businesses which are likely to be viable and deserve special support, and those which are inefficient and could be allowed to waste away. Any notion of "picking winners" is of course anathema to the present British Government, but Mr. David Mitchell, the Industry Department's junior Minister responsible for small firms, is considering whether to try at least to assemble some facts on the progress of small businesses by including questions about employment on VAT returns.

Whether his idea will be adopted remains to be seen: at present it is being discussed only tentatively because one of the main thrusts of the Government's policy is to reduce, not increase, the amount of official support imposed on small businesses.

Measures aimed at cutting down on Government forms have been included in the total of more than 50 initiatives launched by both Governments since Mr. Lever began his work in 1977. By the time Labour lost last year's general election,

he had induced his Government to introduce a series of packages.

Links were also established with other Government policies, especially with the Department of the Environment's efforts to regenerate inner cities. (Mr. Callaghan sometimes stressed that it was this urban problem that made him specially interested in small business.) Partly as a result of this, initiatives have been launched to encourage large companies to help small businesses cope with organisational and other problems.

On a broader front, the present Government has introduced a number of initiatives, quite apart from last week's Budget. There have been general changes in employment legislation, which are intended to be of special help to small businessmen, and company law reforms are being considered to simplify their lives.

The Government has commissioned an inquiry into whether the law should be changed to allow companies to buy back their own shares. It is thought that this might encourage entrepreneurs, traditionally wary of giving out shares in their businesses, to admit external investors whom they could easily buy out later. Mr. Mitchell is interested in the idea, because it would enable a business owner to realise some of his capital, secure in the knowledge that he could later regain full control of his business.

The Government has also made some progress on the provision of new industrial property. Following publication of a Coopers and Lybrand report last week, it is specially anxious to provide premises of under 2,500 sq ft for new businesses. In the Budget it was announced that, in addition to relaxing some factory planning procedures, and providing fresh industrial building allowance incentives, the Government had authorised £5m for building small premises in assisted areas.

Negotiations are now being

finalised with a handful of City institutions which are to provide a further £15m so that a total of 1,000 units can be built through the state-owned English Industrial Estates Corporation. This Corporation already has a provisional link-up with Legal and General Assurance to build 300,000 sq ft of factories costing £5m, and both schemes will go ahead once its operating rules are changed by the current Industry Bill to permit it to work in partnership with the private sector.

This is one illustration of the way that City institutions are beginning to respond to the Government's plea that they should take an active interest in small businesses. Another example is a link-up between the Post Office Staff Superannuation Fund and the Government's small firms, counselling service to help create new businesses in East Anglia and the eastern Home Counties. Negotiations are being completed with an insurance company for a similar arrangement in another part of the country.

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Ministers who have been mainly concerned with encouraging small businesses: Sir Geoffrey Howe (left) who created the idea of enterprise zones, Lord Lever (centre) who, as Mr. Harold Lever, was in charge under the last Government, and Sir Keith Joseph, Secretary for Industry.

The counselling service, which has more than 60 centres, vets and advises on potential ventures, and the institution involved provides the investment.

The Government hopes that investment in general will flow more readily to small businesses following last week's fiscal measures which included various capital taxation concessions. In particular, concessions for losses when shares are sold in unquoted companies, plus relaxation of interest relief conditions on investments in close companies will, it is hoped, unleash fresh risk-taking finance.

In all, the proposals contained in the Budget's small firms and enterprise package are estimated to cost the Government about £363m in a full year, plus a further £30m to £35m which Sir Geoffrey Howe insisted on allocating to his own enterprise zone experiment even though some Government Departments thought the money could be better spent elsewhere. (Of the total £393m, some £20m or more is not strictly aimed at industrial entrepreneurs

because it has been allocated to giving self-employed people improved tax relief on their pension contributions.)

In general the Budget has been enthusiastically welcomed by organisations representing small businesses, although some wanted more concessions on capital taxation and more help for institutional investments. There are also continuing calls for State subsidies to encourage clearing bank and pension fund lending.

But, despite the Budget and all the activity since Mr. Lever started work, it is still the country's basic economic problems that dog small businesses. Most of the measures of the last two years have tinkered around the edge of a problem that will not be solved until interest rates are reduced and there is general economic recovery. What the activity has achieved, however, is that small businesses are now operating in a much more sympathetic climate than they were three years ago.

John Elliott

Focus on an enterprise zone

"STAINLESS STEEL: Made in Sheffield" is perhaps the proudest hallmark of the British steel industry. It is therefore all the sadder that Attercliffe, the heart of this industry, should have been shortlisted as an enterprise zone in need of special assistance.

Despite its local reputation as an area of intensive heavy industry, now in some decay, Attercliffe was until 10 years ago a district where factories abutted terraced housing and where a pub might offer a view of farms on the hill.

The farms were the first to go and now almost all the housing has been swept away. According to Mr. Peter Shephard, chairman of the Attercliffe Urban Development Council, the population of the area fell from at least 30,000 at its peak to 2,200 by the end of 1978. The housing clearance programme will reduce the population to

around 400 by the middle of 1981. Only one, terraced street will be left standing, apart from rows of shops and the occasional pub.

Attercliffe apparently owes its name to the others which swam down the River Don, around which the community was built. It is set in a valley, sandwiched on the west by the austere-sounding Grimsby and Scunthorpe, and on the east by the more sweetly-named Greenland and Brightside. It is close to the centre of Sheffield and occupies an area of 2,285 acres, according to the council map. Only 500 acres of this will be designated an enterprise zone under the Chancellor's scheme.

The traditional industries of Attercliffe are undoubtedly in decline and the high street of the town testifies to its deterioration. One in every two shops is boarded up, the

only department store in the area closed a few weeks ago and the cinemas and theatre have all shut their doors. Even new industrial estates, strung along the north-west flank of the area and almost all other available industrial properties are being neglected. Of the existing and proposed industrial estates in Sheffield, the bulk (55 acres at the last count) are in Attercliffe and another 39 acres border the area.

Property values have risen sharply. The average price for an acre of Sheffield property was about £10,000 a few years ago but the council is now asking £47,000 an acre and private sellers are seeking up to £200,000 an acre. The explanation is not hard to find. Attercliffe has excellent communications, being a few miles from the M1. It is now almost a "green field site," since virtually all housing has

been razed, and it is therefore fairly cheap to build on. Sheffield itself is about to be categorised as an non-assisted area, which may indicate the extent of the improvements already carried out in the city. Labour in the area is undoubtedly available but the city's unemployment rate is around the national average and not comparable with, for example, Teesside and South Wales. Even if more employment were to be created in the district, it would hardly revive the shops and service industries which depend on a resident population that has now departed for good.

Complaints about Attercliffe centre not on the current tax burden which would be eased in an enterprise zone, but on the weight of local bureaucracy. The Sheffield Office of the Industrial and Commercial Finance Corporation has provided £5.3m of

funds for local industry during the past year, the bulk of it in Sheffield itself. The main grouse of Mr. Peter Falkman, its manager, is what he calls the "bureaucratic factor" of local authorities.

For example, a lease can be agreed before a building is erected, but it is not signed until later. "The ICFC therefore finds it almost impossible to arrange collateral for construction finance."

The enterprise zones are designed to remove or streamline "administration of certain statutory or administrative controls." The example of Attercliffe suggests that this may be a more useful function than the alleviation of tax.

One local industrialist complained that, when he had wanted to move his factory, he had been offered three impracticable sites: opposite an abattoir, a factory making

by-products of the abattoir and a horse-slaughterer's. Only by chance did he find a site in Attercliffe.

He also believed that foreign investment was given preference. Referring to one factory, he said: "Because there was Japanese money behind it, that place was up before you could sneeze."

Attercliffe is not short of industry. British Steel Corporation, Johnson Firth Brown and Hadfields all have substantial operations in the area. Smaller companies in related businesses are either there already or springing up. The residential wasteland cannot now be reclaimed, so the question is whether the industry which is to be attracted by the development zone will have better short-term prospects than the existing steel-related companies.

John Makinson

MEN AND MATTERS

Samaritan in the Deeside desert

I must confess my mind went briefly blank with disbelief on hearing the steel workers of Shotton described as "brimming with goodwill." But my cynicism was promptly over-ridden by the Rev. Michael Williams, industrial chaplain for North East Wales. "There is tons of goodwill," he insisted, "and what makes me really sore is that the men here take such a lot on the chin without really complaining and without much in the way of constructive reward."

He has many bitter experiences of what he calls "stolen parashioners." Like an old soldier recounting his wartime memories he rattles off the list of past campaigns in his native Wales: "I've seen it before in Ebbw Vale... Newport, British Aluminium and at Pilkingtons in Pontypool."

Now on gloomy Deeside, Williams chuckles reflectively at suggestions that Jonah-like his very presence may have something to do with the industrial troubles he has seen, and ponders hard on how he can best lighten the prospects for the 2,000 about to be made redundant there by British Steel, GKN and Courtaulds, and the effects of a 30 per cent male unemployment rate in Flint town by the end of April.

Out this weekend and already in free distribution is his "survival kit." Compiled from official handouts and his own files and experience, the kit aims to guide the newly-jobless out of depression and back into work. Covering everything from writing job applications, preparing for interviews to setting up small businesses and finding off the "sharks" who prey on men with redundancy cheques in their pockets, the first edition of 500 was produced with funds scraped together from the church and a few donors.

Sadly, the goodwill of this campaigning parson and that of the men he aims to help has



"Would you accept payment in soy beans?"

not yet been given tangible recognition by those best able to offer it. He hopes, however, that his pilot project will now prompt the local authorities and industries finally to stump up the £1,300 he needs to run off a second edition of 5,000.

Lind's swan song

The landscape of Britain and modern history books are littered with impressive memorials to Peter Lind, a Danish civil engineer who founded a company here under his name in 1915. Mightiest among them stand the Post Office Tower, Waterloo Bridge and D-Day memorials of the Mulberry harbours—all monuments to Lind's early specialisation in reinforced concrete.

But, director John Bird tells me, 65 years' experience and expertise stood for nothing in the face of inflation, environmental lobbyists and the intractable geology of the Thames Valley which forced Peter Lind and Co under last week with creditors' claims for almost £3m and the loss of 500 jobs.

The killer contract was a river straightening and flood alleviation scheme undertaken for the Thames Water Board which

Last of the Raj

This is a sad Monday for old India hands. The last support of the mighty "steel frame"—the pet name for the Indian Civil Service established by the British—goes into retirement. He is Nirmal Mukherjee, retiring with the rank of Cabinet Secretary, and closing the book on the impressive history of the old ICS.

Mukherjee is the last of the 416 ICS officers who were the prime movers in the administrative machinery left when the British quit in August 1947, and who helped develop today's administration from that tiny nucleus. Just before the British withdrawal there were some 2,000 officers still on the ICS roll, but numbers sank rapidly as more than three quarters packed their bags and left for home in Britain, or where their hearts lay, in Pakistan.

Apocalypse live

Better known for his craft in producing dramatic movies in the vein of The Godfather and Apocalypse Now, Francis Ford Coppola at the weekend displayed hitherto unsuspected expertise in the field of comedy. The scene was set outside the floodlit Capitol building in Madison, Wisconsin. The star

Frankly speaking

From the house magazine of a Birmingham company: "He said in his opinion the loss of such an important overseas contract was the worst disaster that had befallen the firm since he became its managing director in 1974."

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Observer

FINANCIAL TIMES SURVEY

Monday March 31 1980

ITALY

Elusive search for stability

By Paul Betts

"THE CRISIS is the most serious aspect of the emergency," a leading Christian Democrat politician roared from the rostrum at his party's recent national congress. Or was it: "The emergency is the most serious aspect of the crisis?"

The word crisis has become a commonplace in Italy. It appears, alongside other suitable and ingenious synonyms, practically every day on the front pages of the country's newspapers. It is on State television news practically every night, although it is never quite clear what it refers to: political violence, an air traffic controllers' strike, a financial scandal, the breakdown of talks between Communists and Christian Democrats, a 20 per cent annual inflation rate, or a dustbin workers' strike in Naples.

But most Italians seemingly have continued to go about their daily business in the normal way. The street cafes are full and the tables are already being put out on the piazzas for the tourists to take advantage of the spring sunshine. Scars over oil and petrol supplies have done little to dampen the exuberance of city traffic.

Yet although Italians appear to have become used to living with the annual agony of Government crises, sporadic

street rioting and more regular terrorist shootings, with strikes and scandals and a wasteful system of thousands of state bureaucracies, a sense of real anxiety is now beginning to creep in.

It stems above all from the country's increasing state of political uncertainty and unease. The general election last June and its inconclusive result has made Italy that much more difficult to govern. The minority Government of Christian Democrats, Liberals and Social Democrats—formed after two months of painstaking all-party negotiations last summer—has just collapsed.

The fall of the minority government of Sig. Francesco Cossiga has now opened the way for the country's 39th government crisis in barely 35 years. With every new government crisis the political deadlock seems to grow.

Interlude

Sig. Cossiga's administration was to have acted as a Government of Interlude to give the country a period of political truce until a more stable governing formula was found. Instead, it fuelled even further tensions between and within the various Italian parties. Negotiations have now started to find a viable alternative to take the place of the Government which collapsed two weeks ago.

Sig. Cossiga, asked by President Sandro Pertini last week to try to form a new Government, is now attempting to put together a Centre-Left coalition to include the Christian Democrats, the Socialists and the Republicans. It would mark the return of the Socialists in Government after their break with the Christian Democrats in 1974. Such a coalition, unlike the previous minority Government, would have a majority in Parliament.

The trouble is that Italy has been unable to find a lasting

The latest fall of government brings further political deadlock in a country which seems to live in a state of perpetual crisis. Though there has been weak government and dire problems in industry, Italy has brought its balance of payments back to surplus. But scandals, violence and high unemployment will test Italian resilience in the 1980s.

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political compromise between the Right and the Left enabling the political parties to alternate in power or join in emergency coalitions at times of serious difficulties. This has meant that since the country became a republic after the 1939-45 war it has been effectively governed by one single party, the Christian Democrats.

In turn, this long-ruling party, which through the lack of any solid opposition has inevitably tended to abuse its position of power, has been forced in recent years to concentrate largely on a broad policy of survival to maintain its lead, however tenuous, over its rivals, particularly the Communists.

By any standards, it has succeeded in this task remarkably well. Since 1963, its electoral backing, averaging 38 per cent, has not moved by more than a range of one percentage point in five general elections. And the underlying reason for this impressive record of survival has not been so much good government—indeed, the party has been blamed universally for the country's corruption and history of misgovernment—but because it traditionally has been and continues to be seen as the country's main anti-Communist shield.

An attempt at collaboration was made between 1976 and the beginning of last year. It led first to the Communists indirectly supporting a minority Christian Democrat government by abstaining in parliament and subsequently to its direct support in the parliamentary majority of a Christian Democrat administration. But it col-

lapsed when the Communists insisted on their direct representation in government with Cabinet Ministers which the ruling party flatly rejected.

The Communists have again called for their direct participation in a government of "national unity" to tackle effectively the country's growing difficulties. But the Christian Democrats at their national congress last February firmly opposed any collaboration in government between the two parties. So everything has returned to square one and there is seemingly again no way out of the present deadlock as the smaller Socialist Party, which currently holds the key balance of votes in parliament, are themselves split between either joining in coalition with the Christian Democrats or pressing for a Government which includes the Communists.

However, it would be misleading to pin the entire blame for this unhappy situation on the Christian Democrats. Undoubtedly they share a large part of it, as indeed the

Socialists whose internal rifts and ineffectual role in the Centre-Left coalitions of the 1960s were instrumental in enabling the Communists to become the main party of the Left in Italy. But the Communists too have much to account for.

Ambiguous

In the last 10 years, which effectively have seen the electoral transformation of the Communists into a governing party, the Communists have failed to dispel doubts over their democratic reliability. Instead, they have maintained an ambiguous approach, dictated largely by the need to hold their electoral appeal both with the party's traditional hard Left and the young at the same time as making inroads among moderate voters. The party's ties with Moscow and its conflicting "Eurocommunist" commitment have reinforced the doubts.

This ambiguity has cost the party dearly. Its attempts to

show its democratic respectability have alienated a growing number of young Communists and hardliners who regard the leadership's policies as a betrayal of the party's revolutionary origins. In the June elections this was translated into a four percentage point drop in votes to 30 per cent, representing the party's first major electoral setback in more than 30 years.

These difficulties in finding a lasting political formula to give Italy stable government are at the base of the country's growing economic and social problems which, in turn, are at the root of the political violence that has afflicted Italy during the past decade.

Nonetheless, Italy has managed to cope much more successfully with its economic problems than with its political ones. Since its last currency crisis in 1976, Italy has gradually cleared all its international debts and brought its overall balance of payments back to substantial surplus. And its official net reserves have risen to a record level of nearly \$40bn. Despite the occasional wobble, the lira has been remarkably stable, while the economy grew by between 4.5 per cent and 5 per cent last year, representing one of the biggest increases in growth of any major European country.

But this impressive turnaround in the country's economic fortunes is largely the result of skilful management by the monetary authorities and the continuing booming performance of Italy's myriad small and medium-sized manufacturing industries concentrated in

great part in the industrial north.

However, these significant results are only part of the story. Retail price inflation is now running at an annual rate of more than 20 per cent. The threat of an energy crisis has become very real to a country which currently relies on oil imports for as much as 75 per cent of its annual energy requirements. Export competitiveness is slowly being eroded.

The official rate of unemployment is rising well over the 7 per cent mark with more than three-quarters of the total made up of young people under the age of 30. The rift between the rich industrial north and the poorer south is widening. Large private and State companies are now facing dire financial and structural problems. And all the basic weaknesses and distortions of the country's economic system at large persist.

Recovery

During the past two years, attempts have been made to introduce a medium-term economic recovery programme. This is intended to correct the structural imbalances of the economy, modify the inflationary aspects of the threshold payments system, enhance the productivity levels of industry, reduce the ever-expanding public sector borrowing requirement, and increase the efficiency of public administration.

But these attempts have invariably been shelved because of the failure of the political parties and the trade unions to reach consensus, reflecting the country's state of near-permanent political turmoil.

The recent theatrical rash of financial and political scandals has done little to build public respect for the country's basic institutions but instead has led to an increasing feeling that these institutions are now breaking up. In turn, this whole atmosphere has helped to pro-

BASIC STATISTICS

Area	301,260 sq km (116,317 sq m)
Population	56.7m
GNP	L220,599bn
Per capita	3,890,442
Trade (1978)	
Imports	L47,836bn
Exports	L47,488bn
Imports from UK	£1.175bn
Exports to UK	£1.769bn
Currency: Lire	£=L1,916.25

vide the sort of atmosphere in which political violence thrives. Despite a recent spate of police arrests and signs that the security forces are now beginning to make some inroads with their anti-terrorist investigations, the statistics of crime and violence continue to add to the general mood of anxiety.

Against this broad background, the outlook for Italy in the 1980s appears increasingly gloomy. Until now, the country has shown a remarkable resilience and capacity to get itself out of its jams. But the challenge today is far greater and time is running out.

This task will not just require correction of the so-called "errors" but also recognition and provision for the legitimate goals and aspirations of a generation which increasingly feels itself removed from the men in power. It will require the re-establishment of public respect for the institutions of state, not least for parliament and its politicians, and a government working efficiently and seen to be free of corruption.

In the end, any longer-term solution can come only from a constructive dialogue between the Left and the Right, or more specifically between Communists and Christian Democrats. But such a dialogue at this particular moment of political tensions and confusion, seems remote.

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ITALY II

Economy sliding back into old habits

THE STORM clouds are once again gathering over the Italian economy. After a steady recovery from the 1974-1976 financial crisis, last year was perhaps the most successful year for the country since the far off days of the "economic miracle" of the 1950s and early 1960s which helped propel Italy into the leading rank of industrial nations. But with the speed that always marks economic developments in Italy, things are changing for the worse, as all Italy's familiar long-standing difficulties re-emerge.

Inflation, having dropped to the respectable level (by current standards) of 13 per cent at the end of 1978, is now running at well over 20 per cent on an annual basis. Interest rates have gone up sharply in the latter part of 1979, and the signs are that further rises in key lending rates, and perhaps other forms of credit curbs, are on the way. Nonetheless, mutterings are abroad about the possible need for a further downward adjustment of the lira, after a year of surprisingly untroubled membership of the European Monetary System.

The trade balance which, according to Istat, the national statistics institute, was in rough balance in 1978, has begun to deteriorate sharply. For their part, major companies are again complaining about low productivity, soaring unit output costs and diminishing competitiveness abroad.

Complaining

All this too, at a moment when the prospects of a solution to the country's chronic political deadlock look dimmer than ever. Yet without that solution, which would inevitably bring with it a change in the present uncooperative attitude of the main trade unions, no serious effort to tackle the country's embedded structural problems is feasible.

And yet, if economic crisis there is to be, at some point this year or early next—and all the indicators would suggest

that a rough ride is on the way—then the country is in many respects better equipped to face it than in the past.

Unlike at the worst point of the 1976 upheavals, when net reserves at one point fell to barely \$500m, the Bank of Italy today sits atop one of the most imposing gold and convertible currency stocks in the industrialised world. Italy is the fourth largest billion holder in the West, with around 2,500 tonnes and its worth has been pushed up enormously by the doubling of the gold price in the past year to about \$650 per oz. Currency reserves top \$10bn. With such ammunition, it is not surprising that the Central Bank is firmly against a devaluation of the lira.

The astounding transformation of Italy's external finances in the past four years owes much to the skill and determination displayed by Dr. Paolo Baffi, Governor of the central bank, for that period before his resignation last September. The broad strategy, which external events favoured, was to allow the lira to depreciate slightly against the currencies of key export market countries in Northern Europe, while appreciating against the dollar, with which Italy has to make payment for the raw materials on which it is so heavily dependent.

Today, however, that policy is in trouble. The steep rises in oil and other commodity prices have been compounded by the new strength of the dollar, following the upward leap in domestic U.S. interest rates.

Even so, after a monetary payments surplus of 17,000bn (\$8.43bn) in 1978, and one of 11,672bn (\$2bn) in 1979, the new strength of the dollar, following the upward leap in domestic U.S. interest rates.

If that is the case, much of the credit will have to go to tourism, which, after a depressed period in the mid-1970s, yielded an estimated foreign ex-

change income of up to \$7bn last year, and for which forecasts are of a further buoyancy in 1980.

Despite inflation, Italy remains one of the best-value-for-money holiday buys, while revenues from tourism, more than covers the country's annual trade deficit on food and provides as much foreign exchange as the most successful industrial export sector, clothing and textiles. The 1.5m jobs it directly or indirectly generates are vital to prevent the country's unemployment from rising further above the current official rate of over 7 per cent.

Vintage

But the reason why 1979, despite the steady acceleration in inflation which it witnessed, will go down as one of the best economic vintages of recent years, lies in the fast growth which Italy managed alongside its payments stability. Gross Domestic Product last year defied repeated forecasts of a slowdown, to advance in real terms by almost 5 per cent. If 1979 inflation of 18.3 per cent is geared in, the country's money Gross Domestic Product is likely to come out for 1979 at around 11,275,000bn (\$3,500bn), compared with 12,220,000bn in 1978.

It was the fastest expansion of any major EEC country, and the early signs are that the boom was continuing in the early stages of 1980—again in defiance of all predictions. Confindustria, the employers' federation, is expecting industrial output to advance by 2.9 and 2.3 per cent respectively in the first two quarters. This overall picture, however, masks an apparently permanent divergence within industry between the larger groups faced with serious productivity problems, and burdened by the high cost of money (at the start of March the banks' "prime" rate was 19.5 per cent), and the myriad small and medium sized industries, after self-financed and very flexible.

These last then merge, of

course, into the celebrated Italian submerged economy, which does not show up on the official statistics at all but which prompted Istat to revise upwards by 10 per cent its figure for total national output in 1978. It is the smaller companies which dominate the sectors in which Italy's foreign trade has traditionally flourished: textiles and clothing, shoes, and to a lesser extent engineering products. There is another sector to be added perhaps, that of jewellery, literally a cottage industry, which generated net exports in 1979 of an estimated 13,000bn (\$3.6bn).

But it is the essentially artisan nature of this production which makes some observers wonder if Italy is not gradually drifting into the European equivalent of a "third world" economy, of relatively low technology and very labour-intensive.

As always in Italy, two apparently contradictory realities side-by-side. It is equally true that some of the country's automotive, engineering and machinery concerns have invested as much as their foreign competitors and are technologically the match for anyone. Nonetheless it is a disturbing fact that research and development spending in Italy, at least that part publicly backed, is lower than in any comparable industrial country.

Predictions

At another level there is the abiding problem of energy, or rather the lack of it. Italy's net oil and petroleum products bill, according to the latest figures from ENI, the State energy agency, topped 11,000bn (\$13bn) in 1979. The latest OPEC price increases will push that figure to perhaps \$17bn in 1980, although the figure obviously depends on just how much the expected economy slowdown bites. Official predictions are for growth of up to 2 per cent in 1980. In the meantime, little has been done to implement a nuclear power station programme, to which there is little realistic alternative if Italy is to cut its 75 per cent dependence on imported oil.

The medium term energy outlook is just one of the reasons which made one distinguished Italian economist comment recently that the problem "is not 1980, but the 1980s"—in other words that even the Italian genius for defying economic laws which operate elsewhere cannot indefinitely hold the line.

Energy is just one of the structural problems which will not go away; others include the Scania mobile system of wage indexation, which means that price rises are effectively built into the system and the enormous public sector deficit, this year likely to top 140,000bn (\$48bn) or 14 per cent of GDP.

Both these latter ills require a new political settlement for their resolution. Both are prime reasons why stagnation in Italy is so hard to eradicate. But in their separate ways both are part of a delicate political compromise which in fact already exists in the country. Both also explain why in spite of widely publicised crises, the real purchasing power of Italian workers, and private consumption in general, continues to rise.

In a nutshell, indeed, they explain why the gloomy statistics presented by international bodies say one thing about the Italian economy, and evident prosperity, and lavishness of the goods in the shops, say quite another.

CONTINUED ON NEXT PAGE

Rupert Cornwell

At last a long-term plan for energy

ENERGY, COUPLED with the country's failure to control inflation, undoubtedly represents one of Italy's single biggest economic problems. For years, the country's political uncertainties have taken their toll on energy policy. Not only has there been no coherent effort so far at political level to tackle the problem in the longer term, but decision making in the two main State energy industries—Ente Nazionale Idroelettrico (ENI) and Ente Nazionale per l'Energia Elettrica (ENEL)—has suffered from political indecision and the absence of general political consensus over a national energy programme.

Although Italy since the last energy crisis in 1973 has managed to cope with its energy problems by relying on what have largely been day-to-day policies, the latest energy crisis could clearly have major repercussions for a country which relies on imported oil for about 75 per cent of its overall annual energy requirements. Indeed, the recent increases in crude oil prices are expected to see a rise in Italy's oil bill from some \$10bn last year to about \$17bn this year. Moreover, scarcer world oil supplies risk exacerbating the problem by causing major shortfalls in Italy's annual oil import needs in coming years.

Black-out risk

Faced with the growing risk of serious energy black-out towards the end of the decade, Italy has finally drawn up a 10-year energy plan aimed at guaranteeing the country adequate electricity supplies through the construction of a series of nuclear, hydro-electric, thermal, turbogas and geothermal plants. The programme, approved by the country's Inter-Ministerial Council for Economic Planning, Italy's highest decision-making institution, at the beginning of this year, envisages the doubling of Italy's present annual electricity capacity to 75,000 MW by 1990.

It will see during the first five years investments by ENEL of some 120,000bn, or the equivalent of about \$25.5bn, for the construction of five twin-reactor nuclear power stations with an overall capacity of 10,000 MW, coal-fired stations with a total capacity of 13,500 MW, hydroelectric plants of 1,800 MW, turbogas stations of 1,130 MW and geothermal plants of 100 MW.

For Italy, which is extremely poor in indigenous energy supplies, the 10-year plan will gradually reduce the country's heavy dependence on imported oil. Together with the substitution of coal for fuel oil in a number of thermoelectric plants, the plan aims at reducing the oil quota of the primary sources used to generate electric energy from about 75 per cent to just over 40 per cent by the end of the decade.

The most controversial and crucial aspect of the plan is the introduction on a commercial scale of nuclear energy, which, according to the Government, is essential if Italy is to tackle its longer term energy problems. To this end, the Government organised a three-day conference on nuclear safety in Venice in a major effort to win over the country's anti-nuclear lobbies and obtain general political consensus for its nuclear programme.

Although after the Venice conference the main political parties and the trade unions still seemed lukewarm over the construction of nuclear plants in Italy, the Government appears—at this stage at least—intent to go ahead with its nuclear programme.

One important step has already been taken to advance the nuclear programme. This consists of a major industrial agreement between the State-controlled mechanical engineering and energy group, Finmeccanica, and the Turin-based Fiat private conglomerate, signed in February. The agreement, aimed at rationalising the Italian nuclear industry, will now give Finmeccanica overall leadership in the nuclear sector in Italy.

Finmeccanica has acquired a majority shareholding in the two companies, which up to now had been jointly owned by the State group and Fiat, controlling the U.S. Westinghouse pressurised water reactor (PWR) licence in Italy. The agreement thus gives Finmeccanica, which already owns a

General Electric boiling water reactor (BWR) licence through its AMN-Ansaldo subsidiary and controls nuclear activities in advanced, heavy water and fast reactors, overall control of the nuclear energy industry.

At the same time, although Italy already has one completed BWR plant with a capacity of 550 MW at Corsico, near Milan, and controls, largely self-financed, another 2,000 MW BWR twin-reactor plant at Montalto di Castro, north of Rome, the Government is expected to opt for a single reactor type for its new generation of nuclear plants. The choice of a single

CONTINUED ON NEXT PAGE

Rupert Cornwell

HIGHLIGHTS OF THE 150th FINANCIAL YEAR

(billion lire)

	1979	1978
Total assets	1100	800
Total deposits	866	662
of which: Deposits of customers	758	579
Loans to customers	631	380
Economic results:		
net profit	6.4	2.1
Reserve Funds after allocation of 7/10 net profit	43.9	28.2

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The Dai-Ichi Kangyo Bank Limited, New York Branch First Pennsylvania Bank, N.A. The Hokkaido Tokai Bank, Limited
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Australia and New Zealand Banking Group Limited, Los Angeles Agency Shawmut Bank of Boston, N.A.

December, 1979



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HIGHLIGHTS FROM THE LATEST ANNUAL REPORT AS OF DECEMBER 31

(in billions of lire)	1978	1979	%
Total deposits	4,150	5,085	+22.5%
Capital and reserves	205	232	+13.2%
Total assets	7,390	8,824	+19.4%

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ITALY III

Unavailing efforts to solve the political deadlock

WITHIN TWO months or so Italy will be going to the polls for nationwide regional elections, the third of their kind since the country's regional structure took formal shape in 1970. On paper their purpose will be to choose new regional assemblies, provided for in the 1947 Constitution of Italy. In practice, though, they will amount to the second round of the inconclusive general election of June, 1979, which, in the words of one battle-scarred Italian politician, "nobody won, but everybody lost."

That election came in the middle of, and failed to settle, what proved to be the most difficult and bitterly disputed Government crisis since the war. It lasted for 183 days, over six months, from the resignation in January of the last Government to have a parliamentary majority, headed by Sig. Giulio Andreotti—until the formation last August of the so-called "truce" administration of Sig. Francesco Cossiga, the 42nd Italian Government since the fall of fascism. The idea was to provide a breathing space in which the various parties could put aside their feuds and work out a more stable formula of Government.

That, however, has not happened, and if Sig. Cossiga lasted longer than deemed likely last August, that survival was only because of the difficulty of agreeing on a replacement. However, the proximity of regional elections precipitated matters, and earlier this month his administration fell.

The origin of today's political deadlock lies in the collapse in January, 1979, of the understanding between the Christian Democrats and the Communists, the two largest parties, commanding the support of almost 68 per cent of the electorate. But the stalemate also reflects the growing, helpless, frustration at the country's failure to evolve an "alternance" of power. Alone, or with a variety of Centrist allies—differing combinations of Liberals, Social Democrats, Republicans and Socialists—the Christian Democrats have been in power without interruption since 1945.

Scandals

The attendant evils of this lack of change are well known: a string of scandals, the erosion of both State and Parliament, and proliferating political interference in areas where politicians would not normally intrude. But the exasperation also shows in the steadily increasing average length of each Government crisis, culminating of course in the six month hiatus before agreement in extremis on Sig. Cossiga's minority Government. Each new stop-gap expedient becomes harder to devise.

At the heart of the dilemma lies the Italian Communist Party, the largest in the so-called "Euro-Communist" Parties, with over 30 per cent of the popular vote. The enduring refusal of the Christian Democrats to allow the Communists alongside them into Government has meant in effect that there are two theoretical possibilities open: either the Centre-Right or Centre-Left solution of the past, or the outright electoral victory by the Left. But this "31-per-cent" solution is both rejected by the PCI itself, and in practical



Sig. Francesco Cossiga (seen here with Mrs. Thatcher at the Prime Ministers' conference in January) is now both caretaker Prime Minister and Prime Minister designate following the fall of his government two weeks ago

terms is inconceivable.

Only for one period, between the 1976 General Election (which saw PCI support at its post-war high-water mark of 34 per cent) and the collapse of fourth Andreotti Government in January 1979, did a new departure—however faintly—seem possible. That the possibility subsequently vanished reflects two factors: the inherently unnatural nature of any alliance between the two biggest parties, and the death of Sig. Moro at the hands of Red Brigade terrorists in May 1978.

Ironically, his kidnapping came on the day of the parliamentary vote launching that Andreotti administration, formed on Christian Democrats alone but resting for the first time in 30 years on a parliamentary majority including the Communists. The shared horror at the outrage tightened the temporary bonds of one of the largest majorities ever constructed to support a democratic Italian Government. But Sig. Moro's murder eight weeks later marked the end of hopes for an enduring accommodation between the two parties.

The former Prime Minister, in the rare position of undisputed leader of his party, had won an unprecedented degree of trust from the Communists. In return, he convinced his own party of the need for an understanding with the largest party of the Left if the required economic and social reforms were ever to be achieved in Italy. He managed to reconcile the irreconcilable in a way unmatched by any other Italian politician, in part by holding out a tantalising vision of what might be, in words which could be, and indeed still are being, interpreted in totally different ways according to the recipients' point of view.

But almost as soon as it began, the strange alliance was starting to crumble. Swiftly the Communists realised that they had achieved that fatal political combination of responsibility without real power. Their electorate became disillusioned, their militants (vital for the functioning of any party) disgruntled at the apparent sell-out of the PCI's commitment to radical, if not revolutionary change.

For the Christian Democrats, temptation to cash in swiftly on the troubles of their old enemies was coupled with the nagging fear of the inherent

dangers to themselves of an alliance with the Communist Party, whose advance they were supposed to be resisting. In the end both sides sharpened their stance. The Communists demanded immediate Ministerial posts in a Government of National Unity, the Christian Democrats refused. The June 1979 election was the consequence, but predictably failed to provide a clear-cut result.

Grudging support

While the Christian Democrats held fast at 38 per cent, the Communists dropped 4 per cent to 30 per cent. But once again the balance of power remained with the small intermediary parties, and above all with the Socialists, whose grudging support in one form or another was essential for any administration without the PCI to survive in Parliament. Thus it was with Sig. Cossiga last August, and essentially the situation remains the same today. In the meantime attitudes on all sides have hardened, while the East-West crisis has made a Communist entry into Government less likely than ever.

Officially, the party is intensifying its pressure for an early realisation of the "historic compromise." If it is not permitted into Government, the PCI is threatening to be more awkward in opposition. In fact, though, the Communists are probably best served where they are, certainly up till the regional elections if not beyond. At the same time the strains on détente after the Russian invasion of Afghanistan have made it harder than ever for the party leadership to hold its troops together and enter a Government which inevitably would be under severe pressure to take a highly Atlanticist line. Already militants have expressed concern at the anti-Soviet line taken by Sig. Enrico Berlinguer, the PCI Secretary.

Much the same argument works in reverse for the Christian Democrats. Italy's international alignment with the West is hard to square with the idea of Communists, however moderate their intentions, in Government. The signs are, moreover, that electoral support for the PCI is still tending to slip. These factors contributed to an important Rightward shift in the party's stance at its recent congress in Rome.

A majority of delegates ruled

out in advance the idea of any deal to permit the PCI into Government. The change has been reflected in the new Christian Democrat leadership. Instead of Sig. Benigno Zaccagnini, close to Sig. Moro, as Secretary there is Sig. Flaminio Piccoli, much less disposed to a deal. Sig. Piccoli was replaced as President by Sig. Arnaldo Forlani, former Foreign Minister and one-time protégé of the veteran anti-Communist Sig. Amintore Fanfani. To round matters off, the new Deputy Secretary is Sig. Carlo Donat Cattin, another staunch anti-Communist.

Ultimately though, the fate of Sig. Cossiga has lain in the hands of the Socialists, and unreliable hands those have proved. Were it possible to ensure a firm deal, on whatever terms, between Christian Democrats and Socialists, Italy's political impasse would be largely solved.

With 9.8 per cent of the popular vote, the Socialists hold the balance of power and yet the division within Socialist ranks, a microcosm of the wider deadlock in national politics, is today deeper than ever. The party is divided into two nearly equal factions. The Right is led by Secretary Sig. Bettino Craxi and is ready to do a deal with the Christian Democrats to exclude the Communists (preferably with Sig. Craxi as Prime Minister). The Left insists that if the Communists are not permitted into Government, then the Socialists, the other party of

Italy's historic Left, should join them in opposition.

The split is the San Andreas fault of Italian politics, and it is made yet more dangerous by the natural habit of the two major parties to exploit the Socialists' internal division for their own ends. Such manoeuvring, for example, lay behind the "scandal" over allegedly irregular commissions paid by ENI, the national energy agency, on its now suspended Saudi Arabian oil deal.

By mid-March the Socialists agreed that Sig. Cossiga should be brought down. But what would happen thereafter was impossible to predict. By barring Communist ministers, the Christian Democrats have called the bluff of the Socialist Left. But is the new leadership under Sig. Piccoli any more ready than its predecessor to give up the Prime Ministership for the first time in 35 years, to a Socialist? Even if it were, would the Socialist Left go along?

These are the calculations which now have to be made by Sig. Piccoli and it is not surprising that many people think an early General Election is the most likely outcome. This, in any case, would not displease the hardliners on the Christian Democrat Right, who feel they might manage a knockout blow to the wobbling Communists and what better dress rehearsal than the regional elections?

Rupert Cornwell

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Plan for energy

CONTINUED FROM PREVIOUS PAGE

reactor type is in large measure dictated both for reasons of safety and to integrate the Italian nuclear programme with those of France and West Germany. This could mean that the Government could favour the FWR system for the country's new generation of nuclear plants.

However, the nuclear programme, if it finally takes concrete shape, is largely regarded as a longer-term solution to the country's energy problems. In the short term, Italy will inevitably still continue to depend heavily on imported oil and coal, since the country's hydro-electric and geothermal primary sources are already being exploited nearly to full capacity. Sig. Antonio Bisaglia, the Industry Minister, recently said annual coal consumption was expected to increase from 600,000 tonnes last year to about 5m tonnes over the next five years. At the same time, ENI, the State hydrocarbons agency, would continue in its world-wide efforts to secure new oil and gas resources.

But the recent difficulties in securing oil supplies provoked a major scare in Italy at the end of last year, when the decision of the Saudi Arabian oil company, Petromin, to suspend all direct oil supplies to ENI because of a scandal involving alleged and so far

unsubstantiated reports of an irregular commission paid in connection with a 12m-tonne, 30-month direct oil supply between Petromin and ENI. Indeed, last December the Italian authorities estimated the country could face a shortfall of some 25m tonnes in oil supplies this year, or the equivalent of a quarter of Italy's overall oil needs for 1980.

Repercussions

Faced with a shortfall which could clearly have had acute repercussions on the country at large, the Government acted promptly to secure additional oil supplies. Following the decision to ease Government price control on oil products in Italy to enable the country to compete for scarce supplies of crude, the major international oil companies are now returning to the Italian market. And according to the Industry Minister, this measure has helped to reduce the estimated 25m tonnes oil shortfall this year to about 8m tonnes.

Moreover, Italy recently signed an important agreement with Venezuela to increase oil imports from Venezuela to 2m tonnes this year, or four times more than in 1979, which has more helped to reduce the further helped to reduce the 1980 oil shortfall to 3m tonnes. The agreement also envisages in

coming years further increases in Italy's direct oil imports from Venezuela to 5m tonnes or even 10m tonnes.

At the same time, the Italian authorities are also seeking to promote barter deals whereby Italian technology, goods and services are exchanged for guaranteed access to Middle East crude. Only recently, Sig. Gaetano Stamatelli, the Italian Foreign Trade Minister, reaffirmed the need for Italy to increase exports of technology to oil producing countries in return for oil to ensure the country with adequate oil supplies in coming years. He also said the Government would boost its political initiatives in oil producing countries to support Italian exporters.

But the most important real project of Italian energy policy is the pipeline now under construction to bring natural gas from the Algerian desert through Tunisia and across the Mediterranean to Sicily and to the Italian mainland. Gas is scheduled to begin flowing from the 2,500 km "Trans-Med" pipeline next year. Delivery in the first year is planned to be 3,95bn cubic metres, rising to 7,37bn cubic metres and 10,52bn cubic metres in the second and third years, reaching 12,36bn cubic metres in the fourth year, or in 1984.

Paul Betts

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LOMBARDY A EUROPEAN REGION

Lombardy is the most "European" among the 20 Italian regions, not only in its historical tradition and geographical position, but also in its economic and social standards. (According to statistics, it represents the "European average condition," occupying the 48th place among the 99 EEC regions).

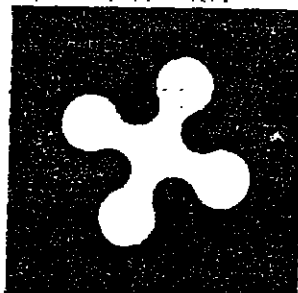
In Italy it is number one for its population and per capita income as well as its industrialisation. Lombardy, by itself, produces nearly a third of the national industrial output (including approximately 15,500 enterprises and 1,900,000 employees); it numbers half the equipment installed in factories and a fifth of the industrial motor vehicles; furthermore it consumes a fourth of the electric energy used in this sector. Other activities are also outstanding: handicrafts with 220,000 concerns, commerce and tourism, for which Lombardy ranks in third place among the Italian regions; and last but not least, agriculture, which makes Lombardy one of the "strong areas" in Europe. Employment in this field is 4.5% and regional production covers 11% of the total national output, a third of the milk and rice production and over a fifth of the meat output; the value of production per tilled hectare is twice as much as the domestic one. Thanks to its economic superiority Lombardy has been designated "the locomotive of the

Italian economy." Its activities have an imposing financial support: a third of the joint-stock companies of import-export business and of foreign investments operating in Italy are concentrated here. Economic operators choose Lombardy for their investments, as capital employed in the region is highly productive. Lombardy carries out over 21% of the gross national product by an investment quota of slightly over 17%, both public and private. This means that Lombardy uses less capital in order to produce more income.

Considerable assets are also registered with regard to private consumption, even though the standard of living is higher in Lombardy than in the rest of the country. Specifically, the Lombard citizen consumes 15% more than the average Italian, but produces 34% more.

In fact, if Lombardy were a State, it would be a mainly exporting country, able to accumulate wealth. Obviously this does not happen, because of the redistributive processes of central Government.

It is worth stressing the fact that the redistributive process is not very liberal towards the Lombard people. In fact in 1979 the Lombard Region (notwithstanding 16% of population and 21% of gross national product) only received 11.5% of state funds programmed for the Regions—a lack of balance, for which Lombardy is making up by working and producing more, in order to remain "the locomotive of Italy" in Europe.



Regione Lombardia

Trade deficit contains warning signals

ITALY'S TRADE outlook looks increasingly uncertain. The first warning signals have already come with the recent publication of official statistics showing an overall trade deficit of L.4,725bn (£2,37bn) last year compared to a total deficit of only L.363bn in 1978.

Moreover, the deficit has continued to grow, with a January deficit of L.1,344bn following deficits of L.1,719bn and L.1,448bn during the two previous months respectively.

The underlying reason for this marked deterioration in the country's trade balance has largely been the increased cost of oil imports. Italy's oil import bill rose by between \$2bn and \$2.5bn between 1978 to 1979 to more than US\$10bn. It is now expected to rise even further this year to a total of around \$17bn.

This substantial increase in the country's oil bill has all but eclipsed the continuing and indeed remarkable export performance of Italy's manufacturing industry. Despite losing some competitiveness over its European competitors last year as Italian export prices rose by 19 per cent compared to an average increase of 13 per cent in other industrialised countries, Italian exports in real terms rose by 9 per cent in 1979 compared to a real increase of 7 per cent in overall world trade.

But Italian trade officials are now concerned over the repercussions the decline in Italian export competitiveness could have at a time of general contraction in world trade. Until recently, the fall in competitiveness of Italian exports had to a great extent been camouflaged by the decline of the U.S. dollar. By steering the lira on a middle course between a declining dollar and appreciating hard European currencies, the monetary authorities had been able to reduce the effective cost of raw materials (paid in dollars) while stimulating export performance in Italy's traditional West European markets because of the competitiveness of the lira against the hard currencies of these countries.

Even when Italy entered the European Monetary System last year, the monetary authorities were able to continue to manage the lira on a downward float because of the wider band granted to the Italian currency.

Consensus

However, such measures require broad political consensus and the introduction of a longer-term economic recovery programme. In unchanged circumstances, the prospects of introducing such a programme and winning the co-operation of the key Italian labour unions appear dim. All this has forced the authorities to seek over devices to enhance the country's export performance and reduce its burden of oil imports.

To this end, the Italian foreign trade ministry is pursuing its policy of promoting increased Italian exports of technology, equipment and services to oil-producing countries in barter deals whereby Italian goods are exchanged directly for crude. A number of such deals are now being negotiated including one for the sale of Italian naval vessels to Iraq and another for the sale of Italian technology in exchange for Venezuelan crude.

Italy's policy has been to place the emphasis heavily on

those industries—both large and medium-sized, public and private—operating in key sectors such as petrochemicals, energy, and civil engineering in which domestic market demand is slack and indeed has little scope at this stage of expansion in Italy.

While the emphasis has largely been on the Middle East in view of Italy's heavy dependence on oil imports, which currently account for as much as 75 per cent of the country's overall annual energy needs, Italy has continued to seek greater penetration in East European markets and now also China. Only two weeks ago, increased economic collaboration between Italy and the Soviet Union was examined in Rome during a series of informal consultations between Mr. Vladimir Shushkov, the Soviet Deputy Foreign Trade Minister, and representatives of the Italian government and of Italian state and private companies.

The Soviet Minister was in Rome to sign a major new \$1.5bn 10-year collaboration agreement between Moscow and the Montedison chemicals group which is, among other things, to build seven new chemical plants in the Soviet Union for a total value of \$800m. But the Soviet Union is also understood to be negotiating with Fiat over the construction of a new car assembly plant to produce a new model for the Soviet Union to replace eventually the Moscovitch. Moscow is also reported to be interested in Fiat machine tools and Fiat construction and agricultural equipment.

But the Soviet visit was on the whole played down because the Italian Government, officially at least, has had to adopt a cooler approach to its formal relations with Moscow following the invasion of Afghanistan. Nonetheless, the visit suggests that Italy intends to maintain and indeed enhance its trade with Moscow.

With annual trade exchanges of some US\$4.5bn, Italy is currently one of the Soviet Union's largest trade partners in the West. And although the Italian Government indicated it had suspended earlier this year negotiations with the Soviet Union for a new five-year Italian export credit line to Moscow, there are signs it is considering reopening these negotiations as soon as possible.

Italy, which is also keen to maintain good relations with the new government in Iran, also appears prepared to supply Iran with spare parts for a number of military helicopters built under licence in Italy and sold to the former regime of the Shah.

At the same time, Italy has also renewed a series of important export credit lines to a number of East European countries, including East Germany. It also agreed to extend a \$1bn eight-year credit to China to promote a series of important ventures now being negotiated between the two countries. The most important is a \$600m deal for the construction of tractor, manufacturing plants in China by the Fiat motor group.

To further boost export performance, Italy has now completed the setting up of a modern system of export credit facilities. Until a few years ago, export credit facilities were seriously limited in Italy compared with other industrialised countries. And despite the traditional obstacles of Italy's chaotic public and bureaucratic life, the new Italian export credits guarantee department, incorporated in the SACE and Mediobanca agencies, has substantially raised annual lending ceilings for medium and short-term credits.

Moreover, by rationalising and accelerating the system of granting State insurance guarantees and enabling Italian companies to bid for international contracts in dollars, the authorities have now made it easier for Italian exporters to compete with bids from other OECD countries.

Both men strenuously denied the accusations, which were given little credence in banking and political circles. To many people, the affair appeared to be a subtle attempt to undermine the authority of the central bank, one of Italy's few respected public institutions.

But as Dr. Baffi and his aide strove with anguish and bitterness to defend themselves and the integrity of the central bank in the months that followed, the repercussions of the affair reverberated throughout the Italian banking system. Many major Italian banks were at the time struggling to reach agreement on plans to salvage SIR and other debt-ridden industrial groups from threatened collapse, and the doubts and soul-searching tension created by the judicial action only worsened the difficulties they were facing.

Months later the appeal court ruled inadmissible the accusations against Sig. Sarcinelli.

CONTINUED ON NEXT PAGE

TRADE

	Exports* (fob)	Imports* (cif)	Balance of payments on current account
1975	34,824	38,364	- 555
1976	36,924	43,368	- 2,855
1977	45,036	47,556	- 2,470
1978	55,956	56,364	- 6395
1979 1st quarter	16,459	16,844	- 1,081
2nd quarter	16,830	17,726	- 2,069
3rd quarter	18,154	19,447	

* Excluding re-exports.

Source: OECD and IMF.

Paul Betts

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Scandals rock the banks

By a Correspondent

FOR THE Italian banking system the last 12 months have been a troubled period. A series of complex banking scandals which had been smouldering for several years erupted suddenly on March 24 1979, with the totally unexpected arrest in Rome of one of the most senior executives of the Bank of Italy. In the months that have followed a governor of the central bank has resigned, the chairman of several other banks have stepped down, others have been arrested. The shockwaves have gone right through the Italian banking community.

These scandals, which have blown up at a crucial period for the system, have become part of the daily fare of Italian newspapers. Complex and sometimes interlocking, they involve power politics in financing political parties and industry, and more than one potential financial collapse. A Cabinet Minister resigned on March 4 after admitting to receiving funds from construction magnates who in turn benefited from payouts from one of the banks under investigation. The property tycoon, concerned, Sig. Gaetano Caltagirone, is at present abroad, as are his two brothers, evading warrants for their arrest in connection with bankruptcy proceedings.

On March 4 the controversial magistrate investigating these scandals, Sig. Antonio Alibrandi, ordered the arrest of 49 banking and business personalities in connection with the Italcasse affair. Not all of the arrest warrants could be immediately put into effect, but the 38 bankers and businessmen

arrested that day included numerous chairmen and ex-chairmen of provincial savings banks, who had all at one time served on Italcasse's Board, and businessmen who had obtained loans from Italcasse.

One of the industrialists financed by Italcasse who was not immediately traced by police was Sig. Nino Rovelli, the former proprietor of the once flourishing SIR chemicals group. It was Sig. Alibrandi's investigations into SIR's finances which prompted him to order the arrest on March 24 1979, of the Bank of Italy's deputy director general Sig. Mario Sarcinelli. For months, SIR had been teetering on the brink of bankruptcy, and the manner in which it had obtained large State-subsidised loans in the past had become the subject of a judicial inquiry. The magistrate accused Sig. Sarcinelli of withholding details of a central bank report which was relevant to the magistrate's investigations.

Sig. Sarcinelli was released from prison 12 days later, but not before a national uproar had broken out over the magistrate's accusations against him and the bank's internationally esteemed Governor, Sig. Alibrandi had announced that

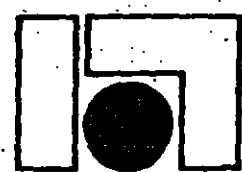
he would have Dr. Baffi arrested as well, but for the latter's age, on suspicion of concealing evidence that might have reflected adversely on him in his brief role as vice-chairman of IMI, the bank which was the main source of State-subsidised loans to SIR in the early 1970s.

Both men strenuously denied the accusations, which were given little credence in banking and political circles. To many people, the affair appeared to be a subtle attempt to undermine the authority of the central bank, one of Italy's few respected public institutions.

But as Dr. Baffi and his aide strove with anguish and bitterness to defend themselves and the integrity of the central bank in the months that followed, the repercussions of the affair reverberated throughout the Italian banking system. Many major Italian banks were at the time struggling to reach agreement on plans to salvage SIR and other debt-ridden industrial groups from threatened collapse, and the doubts and soul-searching tension created by the judicial action only worsened the difficulties they were facing.

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Pressures behind foreign policy

IT IS frequently and unkindly observed that Italy has no foreign policy—but that is not strictly correct. The country does have a foreign policy, and one which events are obliging it to assert more vigorously. But it is in the nature and delicate balance of its politics, and a consequence of its history and geography that that policy is not pressed as forcefully as in the case, say, of France.

Since the fall of Fascism and the end of the last war, the cornerstones of Italy's foreign policy have been broadly three: membership of the Atlantic alliance and NATO's integrated military structure, a place from the outset in the European Community, and close ties with the United States. But the pressures of other factors and the propensity of almost every Italian politician to look first and always to his domestic power-base has meant that the country has rarely in the modern world exercised an influence commensurate with its rank as sixth (or even fifth) Western industrial power.

Despite its unshakeable place within the Western bloc, and increasing strategic importance within NATO, Italy is home of the West's largest Communist party—and one which for the last five years has been knocking at the door of Government. Its trading and economic ties with the East are substantial, while geography and climate have always tended to pull the country southwards away from the continental heart of Europe towards the Mediterranean. Italy looks towards the Arab and oil producing world inevitably from a closer standpoint than its northern EEC partners.

The need to reconcile formal external obligations with the realities of internal politics, and to protect economic interests beyond the power bloc to which it belongs, has also contributed to the softly stated nature of foreign policy. These opposing pressures also explain why Italy has always placed so high a priority on East-West détente, if only to allow the hard choices to be avoided.

Today, however, there are signs of change, not just with regard to the Alliance and NATO, where obviously defence and military considerations are deeply involved, but within the EEC, of which Italy is President until July.

Unlike Britain, Common Market membership is universally favoured by Italians and their parties (including the Communists). More than 80 per cent of the electorate voted in the first direct elections to Strasbourg last June. For Italy, EEC membership has always been important as visible proof that the country belongs to the European mainstream, and a bulwark against its being lured southwards into the bad old ways of the Mediterranean.

Moreover the industrial markets opened up by the Treaty of Rome have contributed

greatly to the transformation of the country since 1945, while the Common Agricultural Policy—if opinions differ on whether Italy is a net beneficiary or not—has undoubtedly helped in diverting wealth to the still backward farm sector.

Unquestionably however, Italian leaders are taking a more jaundiced view of the EEC as it currently operates. If its role as President means that the country has to spend much of its time acting as honest broker in the efforts to secure a compromise on the issue of the British budget contribution, Italy too is now pressing for change.

The watchword in Rome is "convergence"—i.e. European policies which employ resources towards levelling out the present disparities between the richer Community members and the poorer ones like Italy. This would entail changes in the CAP to give greater aid to Southern Mediterranean products, and a greater emphasis on the hitherto neglected regional policy, of which Italy should be a major beneficiary. If constant Government crises distract the politicians' attention, there is nonetheless a developing nucleus of top officials to support a coherent and more aggressive policy stance.

Decisive factor

At the same time, events in the wider world have sharpened the country's defence and military stance—and were probably also the single decisive factor behind the recent decision of the Christian Democrat Congress to bar the doors of government to the Communists for the foreseeable future. The new attitude was plain, even before the crisis in East-West relations provoked by the Soviet invasion of Afghanistan.

At the beginning of December, Parliament approved the Government's decision to agree to the siting of 108 cruise missiles in Italy by 1982 as part of NATO's programme to update its theatre nuclear weapons in Europe—despite sustained Communist opposition. Still earlier, the country had embarked on an overhaul of its armed forces, which will see a costly modernisation of the air force and the Navy in particular.

By 1981, the first of the Anglo-German-Italian Tornado multi-role combat aircraft will be entering service to replace some of the F-104s now in service. A new short-range and battlefield support aircraft, the AMX, is also planned to take over from the ageing Fiat G-91. The Navy too is being remodelled around a nimble high-fire-power fleet consisting of destroyers, guided missile frigates and hydrofoils. It will complement the heavy battle-groups of the U.S. Sixth Fleet based at Naples.

Hitherto, Italy has had defence on the cheap, and counted it well down its list

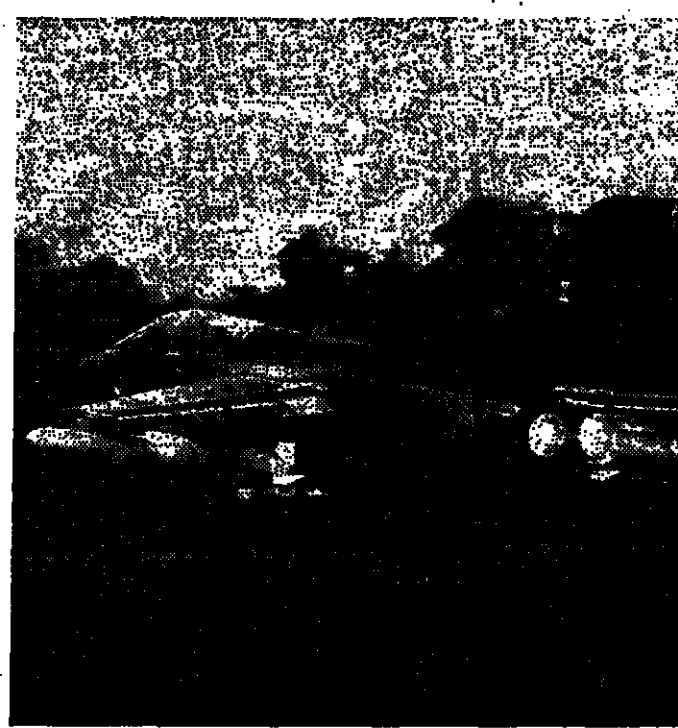
of social and political priorities. But in 1979, military expenditure rose by more than the 3 per cent in real terms prescribed by NATO—even though, at L 5,119bn (£2.9bn), or 2.5 per cent of GDP, it was low by the standard of countries like Britain.

The internal political chaos of Turkey and the withdrawal of Greece from the Integrated NATO military structure have increased its importance on the southern flank of the Alliance. The Soviet naval build-up in the Mediterranean has inevitably concerned Italy, bounded on three sides by that sea.

Finally, of course, there has been the disappearance of Tito in Yugoslavia, bordering Italy and astride the Gorizia Gap, the traditional gateway through which invaders from the East have passed into Italy.

Italian defence experts, as those elsewhere, do not see a military threat from that direction, and are as confident as anyone that post-Tito Yugoslavia will resist the Soviet Union as stoutly as before. The fact remains however that it is in North-Eastern Italy where the main operational units of the Italian Army, highly integrated into NATO, are based, and where the U.S. itself has air bases to match its naval facilities at Naples.

When the Afghan crisis broke, Italy's solidarity among the Western allies to Washing-



The Tornado swing-wing combat aircraft is part of the planned facelift for Italy's armed forces in the 1980s

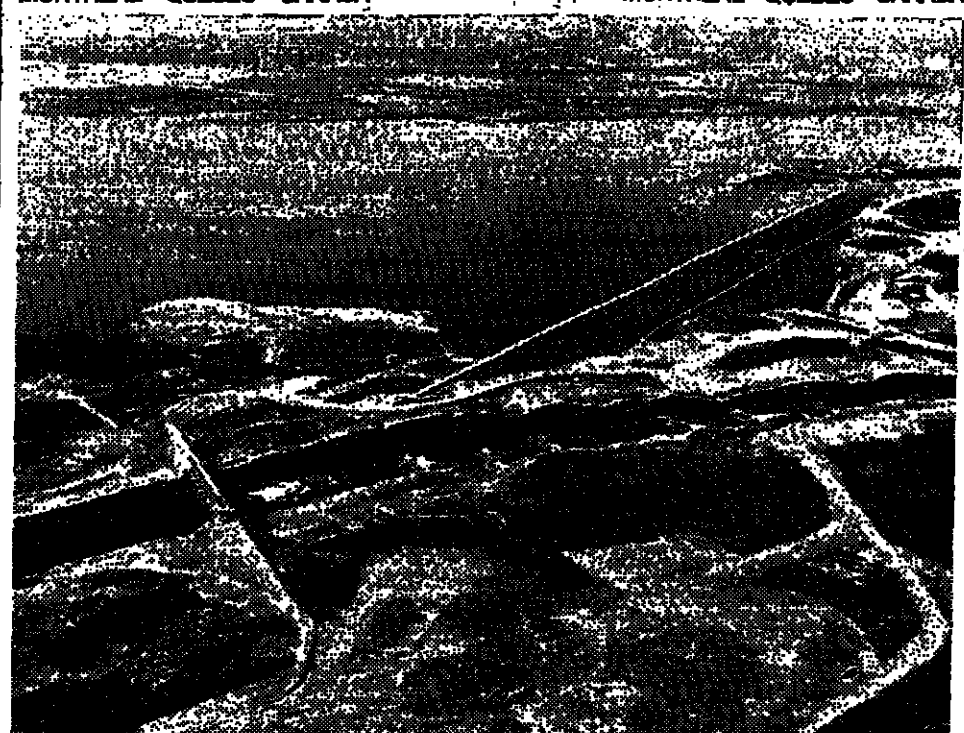
ton was exceeded only by Britain. And the U.S.'s appreciation and concern to help shore-up a very wobbly Government—was reflected in the warmth of the welcome extended to Prime Minister Francesco Cossiga when he visited President Carter in January.

Since then however, the Government has moved more cautiously and carefully in step with its European partners. The issue of whether to participate in the Olympics has been left to the Italian National Olympic Committee, while the trade retaliation urged by Washington has been only partly carried out. A planned expansion of export credit facilities to Moscow to \$1bn has been put on ice, but many other contacts have been going ahead.

Rupert Cornwell

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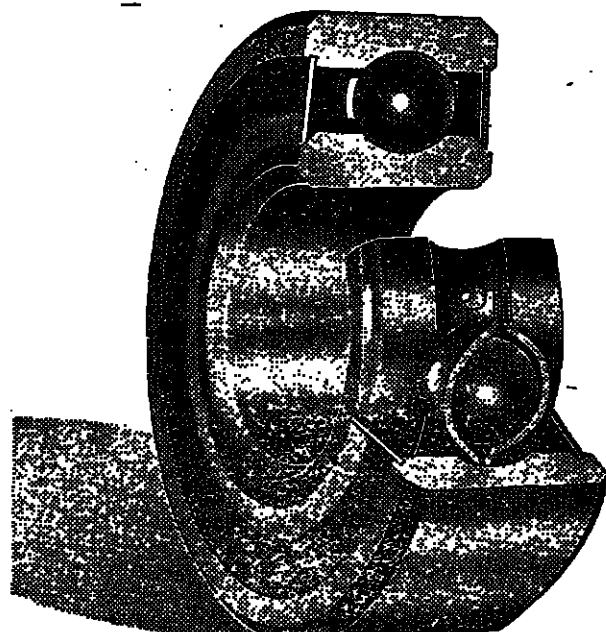
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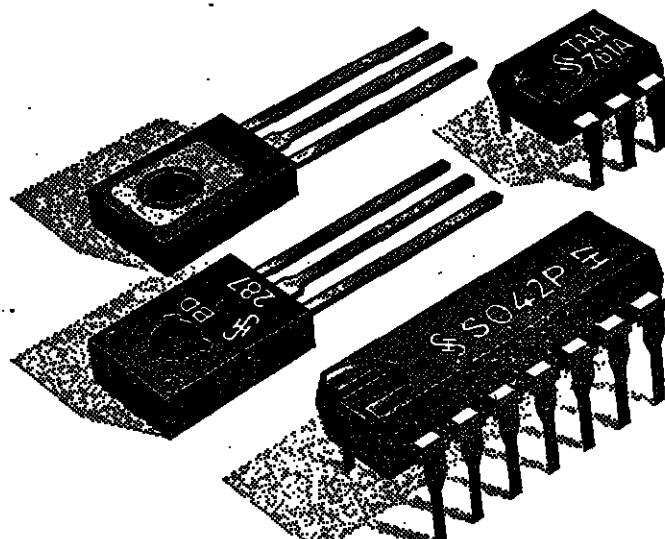
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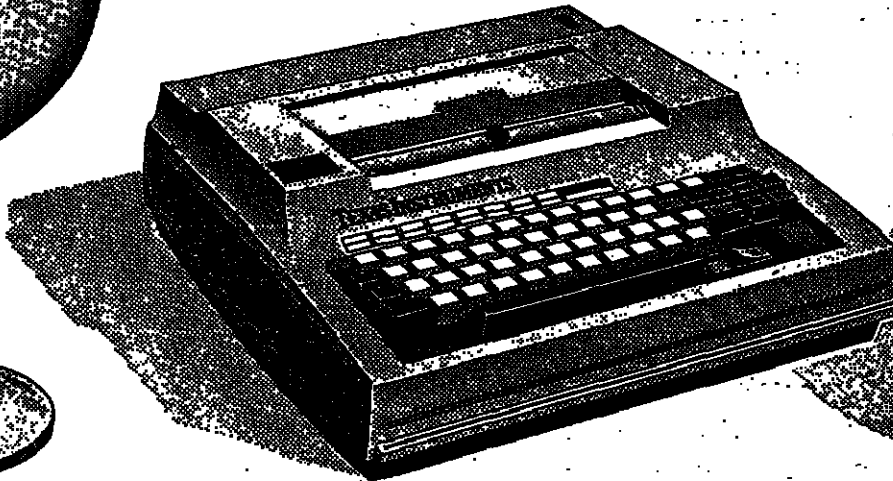
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Bank scandals

CONTINUED FROM PREVIOUS PAGE

whose position at the central bank had been severely damaged by them. But in the meantime, Dr. Baffi, embittered and wounded, had accelerated a decision to retire, and the chairman of several medium-term credit banks which had lent money to SIR, including Sig. Giorgio Capponi of IMI and Sig. Franco Piga of ICIPU, resigned after being implicated in the magistrate's investigations.

Whatever the outcome of these inquiries, into what now is past banking history, the Italian banking system is having to grapple with a daunting legacy of bad debts piled up by a number of major financial groups. A banking consortium to salvage the SIR chemical group finally got off the ground last winter, after a year and a half of difficult negotiations. But bargaining over a similar rescue operation for the Liquichimica chemicals group, otherwise threatened with bankruptcy, is still going on.

Tarnish

A banking consortium has been formed to finance the recovery of the Pirelli tyre and cables group, whose debt problems are small by comparison with those of SIR and Liquichimica, and similar plans are being finalised for Montedison, the synthetic fibres subsidiary of the Montedison group, and Sella Viscosa.

In the long run the Italian banking system seems strong enough to withstand the losses that will be involved in such operations. But in the short run the scandals over Italy's past banking management can only tarnish the image of Italian banking abroad, and both Prime Minister Francesco Cossiga and Treasury Minister Filippo Pandolfi have been at pains to assure the international financial community that the current judicial inquiries employ no doubts about the present solidity of the nation's banking system.

On a political level, however, the Italian banking scene remains fraught with difficulties. The top posts of banks under public control, including the savings banks, have to be filled by Government nominees, and more than 60 local savings banks are without chairmen or have presidents whose term of office has expired. In the case of the savings bank of Ferrara, the most extreme example, the chairman's term of office expired nearly 13 years ago.

On a technical level, by contrast, improvements are gradually being made in a system characterised by its unwieldiness and cumbersome administration. Italy has more than 1,000 individual banking institutions, including several hundred rural banks often with only one branch, and regional fragmentation is a barrier to a streamlined banking system. But the past year has seen progress in the development of Italy's financial markets, which are still rudimentary by comparison with those in the world's main financial centres.

Strict curbs on the growth of commercial loans are holding down the banks' lending business, and a downward squeeze on interest rates cut into profits in 1979. For many of the foreign banks which are recent newcomers to Italy, last year's results are likely to compare unfavourably with profits of a couple of years earlier.

But an embryonic money market is beginning to develop, fostered by the Italian monetary authorities, who are only too aware of the need to finance a colossal public sector deficit. Private investors have recently become aware of tax and interest advantages of investing in Treasury bills, and a surge of private demand for such paper at the start of this year led to an anomalous drop in yields and temporary confusion on the secondary money market.

In fact they are manufactured in Italy's "Mezzogiorno" where incentives are unrivalled in Europe: cash grants (accounting for anything between 20% and 40% of fixed investments), soft loans (40% of total investment), full relief from social security contributions, tax allowances, joint ventures opportunities (even with majority shareholding), free of charge technical assistance and training of personnel.

An area of 20 million consumers within the even vaster 57 million Italian market and

close to the Middle East with its considerable market potentials at a minimum transport cost-distance reach.

IASM, Istituto per l'Assistenza allo Sviluppo del Mezzogiorno (Institute for Assistance in the Development of Southern Italy), has set up representative offices in Europe and in the United States

in order to offer information and consulting services to entrepreneurs interested in carrying out industrial and tourist investment projects in the Italian South.

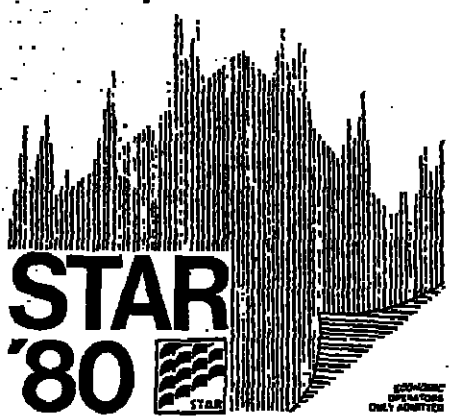
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ITALY VI

A society under threat of violence

AT 11.30 am on February 12, Prof. Vittorio Bachelet, vice-president of Italy's Higher Magistrates Council, the supreme controlling body of the country's judiciary, was shot down by Red Brigades terrorists in the heart of the Rome University campus, where he was to give a lecture.

Without a doubt it was the most serious terrorist challenge to the State since the kidnapping and murder of former prime minister Sig. Aldo Moro two years ago.

Prof. Bachelet's assassination was the climax of an outbreak of political violence statistically without precedent in recent Italian history. Within the first six weeks of 1980, 11 people died at the hands of terrorists, ordinary police patrolmen, a senior Carabinieri officer, company executives and the Christian Democrat president of the Sicilian region were among the victims.

Scarcely a day seemed to go by without a sudden interruption of the main morning radio news bulletin for a first fragmentary report of a new ambush. The favourite time for an attack is about 8.30 in the morning, as the target leaves his home to go to work.

Prof. Bachelet's death, however, appeared to lift the threat on to a new plane. As the effective top-ranking magistrate in Italy (but with mainly titular functions) he was a symbol of the country's institutions, and the consternation of the politicians and government was commensurate with his importance.

Sombre pomp

Yet the thousands of newspaper columns inches devoted to the outrage, the alarmed editorials, the sombre pomp of Prof. Bachelet's funeral have failed to mask one thing: that the worst of the threat posed by terrorism to Italy's institutional fabric may possibly be over.

In one way or another, the country has survived the death of Sig. Moro, a man who was the embodiment of hopes for the grand alliance between Catholics and Communists, and far from being politically divisive, a common aversion to terrorism is perhaps the strongest single bond between otherwise fragmented political parties, trade unions and other social groups.

Moreover, as terrorism brutalises, it erodes its own influence. Today it is a familiar part of the Italian social landscape. People have learnt to live with it, and with every new becomes less.

The 11 deaths so far this year compare with 44 for the whole of 1979—two-thirds of them police and carabinieri officers—and 37 the previous year. Even so the casualty list is considerably shorter than for the two other terrorist hotspots of western Europe, Northern Ireland and the Basque country.

None of this is intended to minimise the dangers of terrorism, or to rule out in advance the possibility of a new outrage so huge as to upset the present complicated equilibrium of Italy—or still less to suggest that it will rapidly die out. It is just to observe that today terrorism is perhaps a less potent, less explosive ingredient in Italian life.

In many respects indeed it would be astonishing if the country did not suffer from this blight. Without question terrorism is a by-product of the revolutions—industrial, social, and secular—which have been crammed into the 35 years of post-war Italian history, and of the failure of the country's politicians to adjust to meet the changing times.

Two factors, to an extent overlapping, have in the view of expert observers contributed to the development of terrorism on the far Left—which has taken over from the Right as the ideological mainspring of political violence since the early 1970s.

The first is the disillusioned Left-wing Catholicism, frustrated at the inability of the Church to lead the way in desired reforms. The second is a growth of a political vacuum created to the Left of the Communist Party as the PCI leadership, in its attempts to secure the "historic compromise" with the ruling Christian Democrats, has adopted an ever more moderate stance, and abandoned in practice if not in theory its revolutionary origins.

The first factor is the background of Renato Curcio, the early leader of the Red Brigades, now in prison, and of Professor Toni Negri, of Padua University, under arrest and interrogation in connection with charges that his was the guiding hand behind most of recent terrorism in Italy.

The second, almost certainly, underlines the wave of shop-floor violence, particularly in cities such as Turin with a huge—and largely immigrant—urban proletariat employed by major concerns like Fiat.

Whatever the fragile optimism that terrorism's potency may have passed its zenith, there is no real sign that the police are gaining the upper hand in the battle to stamp it out. Despite a string of arrests of leading wanted terrorists, and a tough



Annabelle Schild is reunited with her mother, Mrs. Daphne Schild, this month, seven months after Annabelle and her father and mother were kidnapped at their Sicilian holiday home

new anti-terrorism law voted through Parliament by a record majority, the security forces are fighting a Hydra: for every head cut off, a dozen smaller ones grow in its place.

Kaleidoscope

Complicating the task still further is the fragmentation of

the enemy, the random nature of its operations, and the kaleidoscope of differently named organisations, which carry out the attacks. Without doubt many of them are linked, but a cellular structure has now been developed which makes it very hard for the police to use one suspect as a means to pro-

gress up the ladder to the top.

Then again, what of the foreign connection of Italian terrorists? President Pertini is but the most eminent public adherent to the theory that much of Italian terrorism is foreign directed, and certainly Italy is not without ties to the international network embracing Palestinians, IRA and so on. But it is likely that the internal complexities surrounding Italian terrorism are rather more important.

One expert has estimated that the hard core of clandestine extremists may be no more than a 100 or two; but then there are so-called *fascisti-gliatori* the sympathisers, who are to be found, if constant allegations are to be given credence, among the magistrates themselves, and within the police and the Justice Ministry. It is, moreover, well-nigh impossible to draw the line where extreme Left-wing politics, as instanced, say, by the autonomist movement, end and violent extremism begins.

But in the last year or so, another element has emerged to muddy the waters still further: the increasing overlap between political and common crime. Ordinary criminals have found advantage in confusing the police by hiding behind spurious political labels, while evidence is mounting that the Red Brigades and others use kidnappings and other crimes to finance their own activities.

The confusion was epitomised by the killing of Sig. Piersanti Mattarella, Christian Democrat head of the Sicilian region, in

Palermo last January, amid mystery over whether political terrorists or the Mafia were responsible.

Inevitably, terrorism has tended to overshadow other organised crime in Italy, but that too remains a growth industry. Kidnappings, for example, continued last year at more than one a week, and since police began seriously to chart the crime in 1960, it is estimated that the equivalent of more than £150m has been collected in ransoms.

Dragnets

Sophisticated quasi-industrial techniques are increasingly being used, and from its origins in Sardinia and the south, kidnapping has spread the length and breadth of the country.

For example, by mid-March Annabelle Schild, the daughter of the British businessman Mr. Rolf Schild, had spent seven months in the hands of Sardinian bandits before she was released—and various special laws and police dragnets have failed to curb the expansion of the crime.

A dangerous new ingredient has been stirred in, as well, by the rapid growth of illegal foreign immigrants into Italy who, in turn, have probably helped the development of the hard drugs problem, and established their own involvement with political and common crime. For that reason, and very many others, law and order is likely to be a thorn in the side of the Italian authorities for the foreseeable future.

Rupert Cornwell

Fresh hope for the South

By a Correspondent

A COUPLE of years on, Italy's Mezzogiorno (or South) will receive a much-needed economic boost. ENI, the Italian State oil group, is currently at work on a multi-billion dollar pipeline to bring Algerian natural gas across the Mediterranean to Italy. When completed—it is hoped by 1982—this pipeline will stretch across Sicily and from the toe of Calabria to Bologna in the North. Initial plans are for it to bring 12.5bn cubic metres of gas a year, but there is already talk of doubling its capacity, possibly in connection with supply deals to other countries.

Geographically isolated for centuries from the richer regions of Northern Europe, Italy's Mezzogiorno is still an economically backward area despite the billions of dollars of subsidies poured into it in the past three decades. Indeed, Southern Italy has been the main single beneficiary of Common Market regional aid.

But despite ambitious highway and infrastructural developments, only limited success has so far been achieved in industrialising the region. The hope voiced in business and political circles is that the gas pipeline will provide a new stimulus for industrial ventures in the areas it will serve.

With a population of 20m in an area, including Sicily and Sardinia, as large as Greece, the Mezzogiorno has for decades been a headache to successive administrations. The grinding rural poverty has been alleviated, but the urban squalor of cities like Naples and Palermo remains a social problem of national proportions.

For years the Government has been trying to lure industrial investment to the Mezzogiorno by offering subsidies and generous tax concessions. State industry has played a leading role in a number of areas, and the Italsider steel plant at Taranto, a large proportion of whose steel pipe production is sold every year to the Soviet Union, is one of the successes of such attempts at industrialisation.

Smouldering
A number of foreign companies have also settled in the Mezzogiorno, particularly in the area south of Rome—where for administrative purposes the region begins.

But average incomes in Southern Italy are still only 60 per cent of the national average, and unemployment remains high at an officially estimated 10.8 per cent compared with the national average of 7.6 per cent. The smouldering discontent of the poor and unemployed in Naples, Calabria and other deprived areas of Southern Italy has on a number of occasions burst into vocal—sometimes violent—revolt, and the goal of boosting employment in Southern Italy through new industrial initiatives has become the *leit motiv* of union negotiations with industry.

Fiat, Italy's biggest private industrial group, has responded to union pressure with a number of factories in different parts of the Mezzogiorno. Most of these are operating satisfactorily, although Fiat's Cassino plant south of Rome has been plagued by labour unrest and terrorist-style shootings. Fiat chairman Sig. Giovanni Agnelli, comment-

ing recently on the problems of this plant, explained that with its 6,500 workers it was too large to be manageable. A new plant to make vans, which Fiat is currently building in conjunction with Peugeot-Citroen of France, in the Molise region on the Adriatic coast, will employ only 3,000 workers. Scheduled to open next year, this plant is expected to cost around \$250m.

Absenteeism

Labour unrest and frequent absenteeism have been the bane of another car plant a little further south, the Alfesud plant at Pomigliano d'Arco near Naples, which has become a notorious monument to the problems of industrialising Southern Italy. One of the most modern car plants in Europe, Alfesud employs 15,000 workers and since it opened in 1972 has run up losses of around \$700m. In a bid to cut losses, Alfa Romeo, the State-owned car group which controls Alfesud, is negotiating with Nissan Motor of Japan over a joint project to build a car factory in Southern Italy, creating 1,500 new jobs and expanding production of car engines at Alfesud.

Another and even more poignant symbol of the frustration of Southern Italy is Gioia Tauro, a poverty-stricken town on the coast of Calabria, where acres of lush olive and citrus groves have been laid waste in the name of an industrialisation project which never happened.

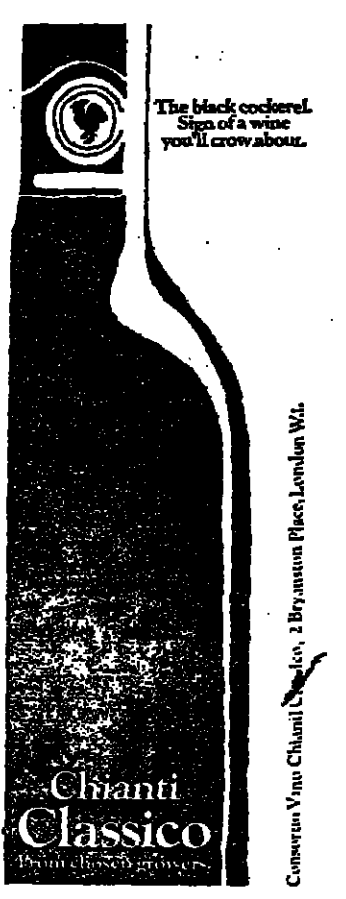
The Government originally promised to build a giant steel works there, creating 7,500 new jobs. But the world steel glut has forced it to abandon the plan, and after years of discussion the future of Gioia Tauro is still uncertain.

The Government has approved plans for a small steelworks to be built on the site, and there is talk of building a power station as well. But the jobs promised in this area of high unemployment have failed to materialise, and the wasteland has become an emblem of the despair of Italy's poorer half.

Instead of the "cathedrals in the desert"—the failed big projects of the past—industrial planning now concentrates on the promotion of smaller ventures, often with capital participation by special State-backed agencies. A contribution in this direction has come from such Government-backed concerns as Inasid, Fime and Fime-leasing, but progress is inevitably slow in relation to the daunting size of the task. Administrative problems still tend to cause delays, and in 1979 the Cassa per il Mezzogiorno, the State development fund for the area, spent under L800bn on its special development projects instead of an original target of nearly L2,000bn.

For the future, the Mezzogiorno undoubtedly holds great potential in terms of available labour and space. Its favourable position at the crossroads of the Mediterranean, between Europe and the oil-rich Middle East, could also be an asset. But a slow-down in world economic

growth, and the prospects of future competition for Italy within the EEC from Greece, Spain, and Portugal inevitably condition a practical assessment of the area's prospects.

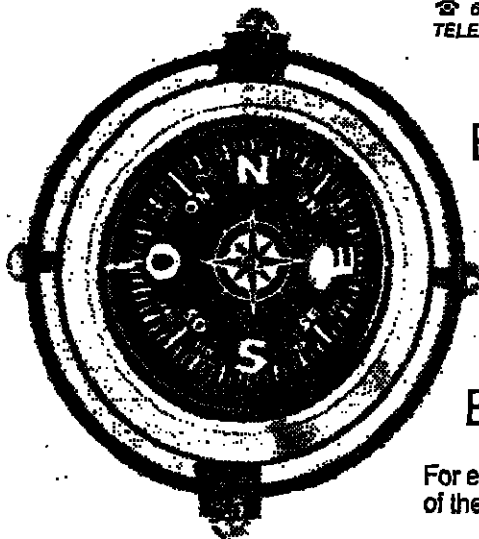


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While big business struggles...

LOW PRODUCTIVITY is the single biggest problem now facing Italian private industry. It has been particularly pronounced in large Italian companies which have had to face continuing real increases in labour costs, widespread labour unrest, high absenteeism and a whole series of union restrictions on overtime and output incentives, labour shedding and labour mobility.

The large companies have also been hit by the growing phenomenon of violence in factories that has further damaged productivity at a time of increasing export difficulties following the general contraction in world trade and the dramatic rise in raw material prices. It is a problem which is also beginning to be shared by the country's myriad of small and medium sized industries, which have seemingly been spared up to now from Italy's protracted political uncertainties and labour difficulties. These smaller industries, largely concentrated in the country's so-called industrial triangle grouping the northern regions of Lombardy, Piedmont and Liguria and stretching across to the Veneto and down to Emilia Romagna, have so far managed to maintain a dynamism and flexibility unmatched in Western Europe.

This goes a long way in explaining why, despite the far lower productivity average of Italian industry as a whole compared to elsewhere in Europe save perhaps Britain, Italy achieved a growth of 5 per cent last year, a sizeable balance of payments surplus, and a real increase in exports of 9 per cent, although the underlying rate of inflation has been bordering on 20 per cent. But these small and medium sized industries are also coming under strain, finding it increasingly difficult to rely, as they have done in the past, on their own devices to expand and increase their export performance.

Indeed, during the last few months, private industry as a whole has been fighting to keep afloat at a time of growing international competition and of generally worsening domestic economic prospects. In unchanged circumstances and in the continuing climate of chronic labour problems, many private industrialists have recently warned that many Italian companies could

eventually be driven out of business or be taken over by an already profoundly troubled State sector.

The roots of the problem lie in the failure so far of the authorities, the political parties and the trade union movement, which has effectively become what some call "Italy's seventh political party," to introduce a longer term recovery programme to iron out the basic weaknesses and distortions of the country's economic system. Labour costs have continued to soar, largely because of the Scola mobile, Italy's highly inflation automatic wage indexation system, and the peculiarly high social charges paid by employers. The country's rigid labour laws have made it very difficult to shed surplus workers, and Italy's ever expanding enlarged public sector borrowing requirement has effectively prevented a sustained and stable process of accumulation, diverting funds away from productive investment.

It is thus hardly surprising that private industry is now reacting by hardening its approach both to the political parties and to industrial relations even at the risk of setting itself on a collision course with the trade union movement and the left-wing parties.

Dialogue

It reflects a marked change in thinking of the membership of Confindustria, Italy's national employers' confederation, which after failing to buy industrial peace through a policy of collaboration and dialogue with the unions and the Left is now seemingly intent on launching a direct offensive to improve productivity levels.

Significantly, too, Confindustria is shortly to elect a new chairman who is to be chosen from the ranks of industry. The most likely candidate is Sig. Vittorio Merloni, managing director of the Merloni construction and household electrical group. He will be replacing Sig. Guido Carli, who was elected chairman after he stepped down as Governor of the Bank of Italy.

Indeed, Sig. Carli, a distinguished and highly respected outsider, was originally elected to carry Confindustria into dialogue and broad consultation with the political parties and



Olivetti is trying to reduce its workforce to improve productivity. Electronic word-processing machines are given their final inspection.

the trade unions to establish a constructive platform for industrial relations.

In recent months there has been a series of major moves by private companies to improve productivity and profitability. The most drastic has been taken by the Turin-based Fiat, the country's largest private enterprise which estimates that productivity of West German car workers is effectively 37 per cent greater than in Turin and between 20 and 44 per cent lower than in France. Last October it took the unprecedented step of dismissing 61 workers it claimed had been permanent trouble makers and suspended temporarily all recruitment. All the signs now are that Fiat output is improv-

ing. Elsewhere, the running has been made by Olivetti, Italy's leading electronics and office equipment group, which is now attempting to introduce a recovery programme to reduce the group's 60,000 workforce by 4,500 by 1982. The aim is once again to improve productivity and free resources for investments in a high technology sector. So far, Olivetti has won union approval for a 750 man reduction, and its intensely entrepreneurial approach has helped it report a sizeable improvement in operating profits last year.

Pirelli, the Milan tyre and cables group, is also seeking to secure its own productivity improvements to back up a

major capital reconstruction for the recovery of its perennial loss-making tyre activities in Italy. Similar moves are also being undertaken by other major groups, particularly in the chemical and synthetic fibres sector, which has traditionally been one of the backbones of the country's industrial structure.

These moves are being supported by the country's banking system which has been called to work out complex rescue programmes including their direct intervention through the setting up of a series of banking consortia to intervene in troubled companies.

Competition

At the other end of the scale, the banks are increasingly being pressed to help small and medium-sized companies which so far have managed to rely on their own self-financing abilities. But these companies, too, are finding it increasingly difficult to keep pace with rising international competition, for while they have been less hampered by union interference they have traditionally relied on constant technological improvement and new investment.

Ultimately, however, the only real solution for Italian private industry as a whole can only come from more incisive support from the political parties, the Government and the trade unions to allow industry to improve productivity and retain its competitiveness.

It has been helped in recent years by the skilful management of the lira by the monetary authorities which have steered the currency on

a middle course between a declining dollar and rising European hard currencies. This has effectively protected the competitiveness of Italian manufacturing exports in the country's main markets of Western Europe while containing the impact of higher raw material import prices as these are largely paid in dollars.

But the lira has now entered the more rigid discipline of the European Monetary System. Export competitiveness has also recently been declining and it is likely to continue to do so if Italy fails to tackle effectively the continuing acceleration of its rate of inflation, now double that of its main competitors. Management of the lira, certain measures to attempt to reduce the continuing rate of increase in labour costs like, for example, transferring part of social welfare costs from industry to the State, have all contributed to offset some of the ingrained distortions of the country's economic system on industry.

But many industrialists are now warning that time is running out and that Italy—and more specifically industry—can no longer rely on what have been a series of patch day-to-day policies to cope with the country's economic and industrial problems. However, in the country's present uncertain political and labour climate, all the signs suggest that Italian industry will have to continue to rely on short-term policies and, ultimately, on its own individual devices to keep afloat.

Paul Betts

...the small man thrives

THE "SCIUR PADRUN," or in country's larger industries now small interlinked industries. The activity with the help generally of his family.

The industrial pattern is as follows. The owner of the largest unit sub-contracts to a small workshop some specific job which could normally be uneconomical for the larger plant to integrate in its production cycle. In many cases, the larger group will provide the small workshop with the necessary machinery it cannot afford to invest in. Often, the small workshop is owned by an employee of the larger plant working in his free time.

Another variation of this structure is the production at extremely low costs by a small family-type unit of some basic manufactured item, like socks or shoes, which are then marketed by a bigger concern at lower prices than its own production would allow. This has the twin advantage of giving the small unit a market outlet while maintaining the prices of the larger group at highly competitive levels.

Continued on next page

Interlinked

A classic example of the country's network of small and medium-sized industries is to be found at Lumezzane, a small valley community in the foothills of the Dolomites north of the Lombard city of Brescia. In a restricted and narrow area, there are in Lumezzane between 2,000 and 3,000 productive units varying from medium-sized to a myriad of tiny workshops in garages, sheds, cellars and even kitchens.

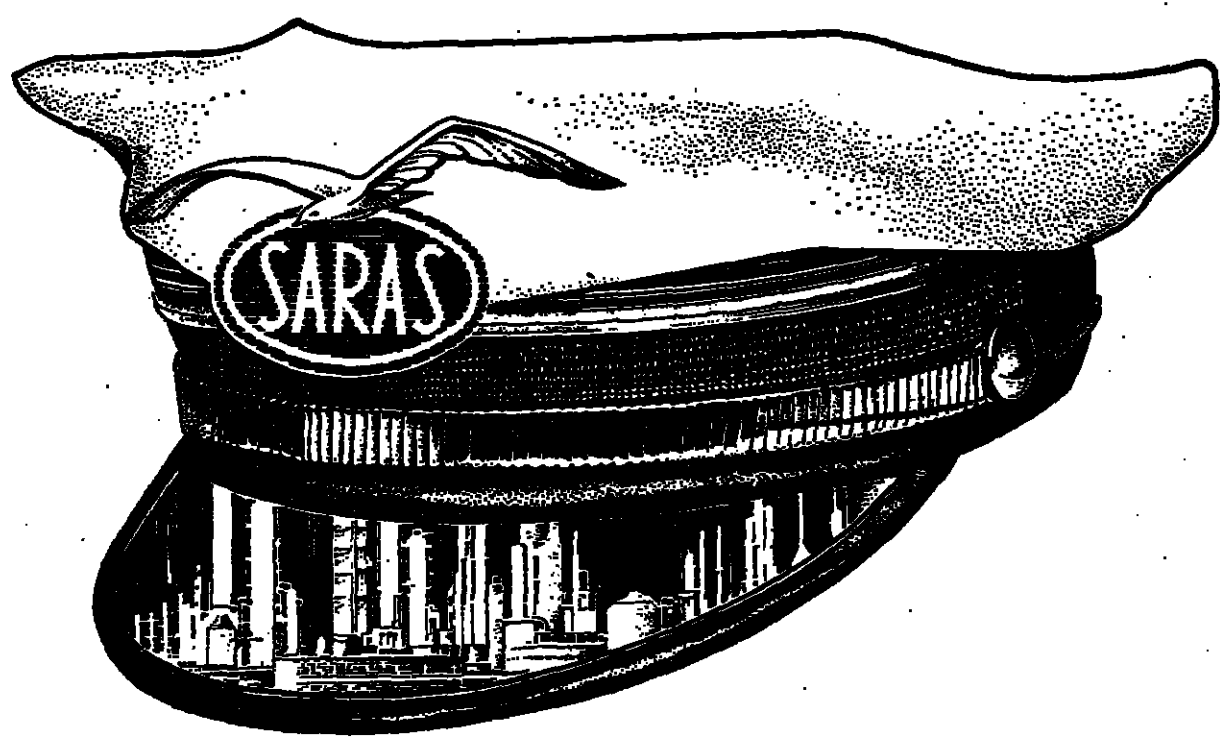
The main activity in Lumezzane is mechanical, in the same way as small textile manufacturing concerns are concentrated in the area around Mantua or in the Tuscan region of Prato, where leather and shoes are also worked by a mass of

The industrial structure of Lumezzane is a caricature of Italian small and medium sized industries. In the area, the relatively small proportion of larger mechanical concerns are closely integrated with the far greater number of small workshops and cottage industries.

The larger concerns are, in fact, often the end product of the small cottage industries. Indeed, what normally happens is that a worker, employed by a larger group, is at the same time conducting his own workshop

Twin advantage

Continued on next page



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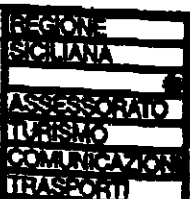
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Civil engineers battle for foreign orders

CIVIL ENGINEERING has without question been one of the export success stories for Italy of the 1970s, a tribute to the way in which the sector was able to turn to its advantage the sudden change in the world economy wrought by the 1973 oil crisis. The signs are, however, that the boom today is running out of steam, and orders are well down from their peak of 1977. Although the final figures for 1979 are not yet available, new contracts won last year are likely to prove down on the 12,250bn (\$2.7bn) of 1978, itself only three-quarters of the record 13,100bn (\$3.7bn) achieved in 1977.

The reasons for the change in fortunes are various. They range from the growing saturation of many markets in the wealthier developing and oil producing countries to the mounting problems caused by the relative strength of the lira abroad at a time of soaring inflation at home, and the longstanding problem (only partly rectified) of inadequate Governmental export credit and other back-up facilities, compared with those on offer to foreign competitors.

Most important of all perhaps, though, has been the emergence of new rivals from the newly industrialised world, Brazil and above all South Korea. It is estimated here that South Korean civil engineering groups can undercut Italian prices sometimes by between 25 and 30 per cent, and hold prices steady thereafter. The Italian industry now calculates that South Korea has recently been taking up to 25 per cent of the rich Middle Eastern market.

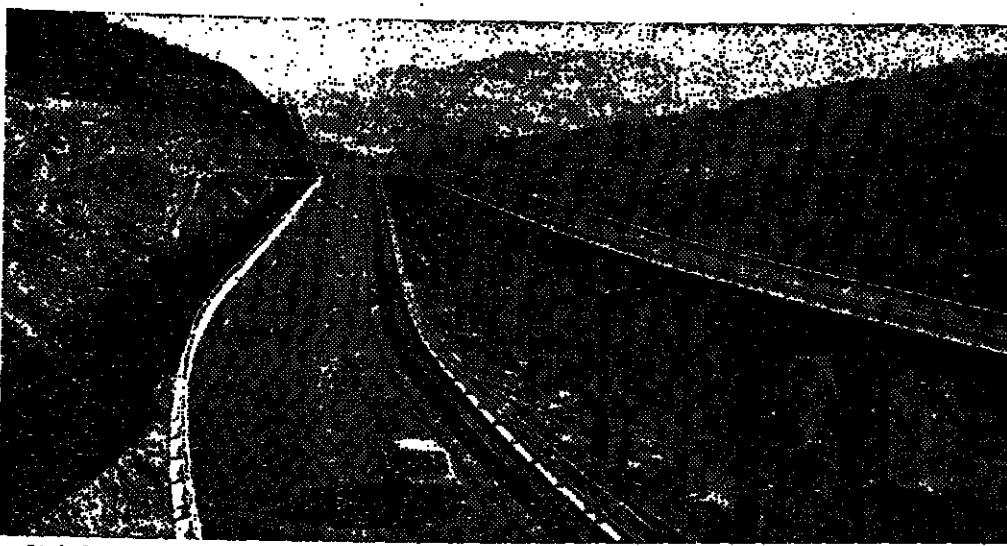
Last but not least is the perennially depressed state of the domestic market, which means that home demand cannot take up any slack that might appear on the export side.

Despite these drawbacks however, Italian groups are still managing to secure important foreign orders. Italmimpianti, the engineering subsidiary of the Finisider steel concern, has won what it considers a very significant \$20m "break-through" contract in the valuable Australian and loading facilities at the Port Kembla coal terminal near Sydney. In mid-February, Finmeccanica, the State-controlled car-to-nuclear group, won a \$150m tender for a coal-fired power station in India, while Letip, an offshoot of the Easting Chemical plant order from China.

Advantages

The geographical spread of these successes underlines some of the deep-seated advantages of the Italian engineering industry. Untainted by the odour of neo-colonialist designs, the country's engineers have been openly welcomed in Third World countries—even those of a distinctly Left-wing radical political complexion like Mozambique or Algeria. In such cases the strong influence of the Italian Communist Party has often played a powerful back-stage role.

It is no accident, for example, that Italy's successes in such countries and those behind the Iron Curtain have often gone hand in hand with the presence of companies operating under the aegis of the Communist-dominated Lega Delle Cooperative. Nor also that Italy has been among the least



Italy's international reputation for civil engineering is based partly on its prestige projects at home such as the spectacular Autostrada del Sole—seen here between Florence and Bologna

affected of major foreign economic interests in Iran by the upheavals following the departure of the Shah.

Crucial factor

Today these plus points are in turn buttressed by the proven track record of Italian companies—a quality, it might be argued (if a little facetiously) which dates back to the civil engineering genius of their Roman ancestors, remnants of whose constructions still adorn the Mediterranean basin.

But a crucial, and sometimes overlooked factor which favours the Italians is the very structure of their engineering industry. Most of the major concerns, Fiat Engineering, Condotte d'Acqua and Italmimpianti of the IRI State conglomerate, Snam-Progetti of ENI, AMN, Ansaldo of Finmeccanica, itself another division of IRI, for example, are all parts of still larger industrial groups. This in turn often allows Italian competitors for an order to offer a very attractive comprehensive package, employing skills and

technologies from other parts of the parent group, and boasting greater flexibility than their rivals.

The formula of huge, mainly State-controlled groups is much criticised within Italy for unwieldiness and inefficiency; abroad the reverse is probably true. What is more, the ability to offer such "package deals" is an important component of the country's sales pitch to secure vital important bilateral oil supply deals.

Rupert Cornwell

Car output lower

FOR THE Italian motor industry—one of the country's largest employers and traditionally a pace-setter for Italian industry as a whole—the next few months are likely to be crucial. In a recent address to shareholders, Sig. Giovanni Agnelli, chairman of Fiat, Italy's largest private enterprise, sounded the first alarm bells. He said Fiat's operating results in 1979 had been disappointing largely because of poor performance by the company's Automobiles and Commercial Vehicles Divisions, which between them account for more than half of Fiat's overall annual net sales of 1,17,500bn last year.

Fiat's basic problem has been the failure of the company to match the productivity levels of its main international competitors at a time of buoyant market demand and the launching of a series of potentially competitive new models. Severe labour unrest last year and the lower productivity of Fiat car workers compared to those of West Germany and France led to a decline of Fiat car output last year to 1,322,000 vehicles, or 3,000 fewer than the previous year. This was further translated in a two-point drop of Fiat's share of the Italian car market to 51 per cent last year. Moreover, the Turin-based company has been increasingly afflicted by a prevailing climate of violence in its plants which has seriously disrupted production. In response to industrial violence, the company took the unprecedented step last October

of dismissing 61 workers it claimed had been permanent troublemakers and temporarily suspended recruitment to its plants throughout Italy.

But the drastic move has also been regarded as a forceful gesture to emphasise the need to improve productivity, for Fiat's fundamental problem, as Sig. Vittorio Ghidella, managing director of the group's car manufacturing division, "is that it can no longer make cars profitable in Turin at present mainly because it cannot produce the volume required. Although the car group has now committed itself to a 1,40,000bn five-year investment programme, it also wants to secure union collaboration to make this ambitious investment programme a paying proposition.

At the same time, Fiat has for some time been seeking collaboration agreements with other European car manufacturers, particularly in the components sector, in a broad policy aimed at promoting economies of scale between European motor producers. The object is to make the European car industry as a whole competitive to face the challenge of the growing penetration by American and Japanese motor manufacturers.

Alarmed

Although the Italian market has so far been rigidly protected against Japanese imports, strictly limited to 1,200 vehicles a year, Fiat is seemingly increasingly alarmed over the negotiations between the Italian State Alfa Romeo group and Nissan of Japan to manufacture jointly a medium-sized car in Italy. The proposed deal, said to be at an advanced stage of negotiation, is seen by Fiat as possibly giving the Japanese industry a bridgehead in Italy.

For the past 12 months, Alfa Romeo, which lost 1,126bn in 1978 and is expected to report another substantial deficit in 1979, has been seeking inter-

national and domestic partners for eventual joint ventures as part of a general recovery strategy. It has failed so far to reach such an agreement with Fiat, but now appears on the point of signing a major joint manufacturing deal with Nissan. This deal is expected to favour the State company's heavy loss-making activities at its southern plant of Pomigliano d'Arco, near Naples. The plant, known as Alfasiad, has been plagued in past years by low productivity and chronic labour problems.

The proposed agreement, which has already won the approval of the Italian unions and the Left-wing parties, is understood to involve the setting up of a joint company, with Alfa Romeo and Nissan controlling equal shares of its capital. The company, to be entirely under Alfa Romeo management, is expected to build a new plant near the Alfasiad Naples complex for the production of a new car, which will also be assembled in the existing Alfasiad complex.

The new car's initial annual production target is expected to be 60,000, half of which will be marketed in Italy and half exported through Alfa Romeo's and Nissan's sales networks. At the same time, Nissan's share in production is expected to amount to about 20 per cent and entail largely the supply of body parts for the new car, while Alfa Romeo will supply the engine and other components.

The Alfa Romeo-Nissan deal and Fiat's own productivity problems are now causing a major controversy in Italy over the future of the country's car industry. To this end, the Government has recently set up a working party to analyse the current problems of the sector and to come up with some definite proposals for its recovery. But like everything else in Italy, the solution to these problems will inevitably be left to the car producers themselves.

Paul Betts

Small man

CONTINUED FROM PREVIOUS PAGE

This type of industrial structure is clearly open to abuse and charges by foreign competitors of unfair competition. Indeed, some years ago the West German Bundesbank at the time of the renewal of a gold-back loan to Italy is understood to have asked the Italian authorities to control low-price exports of Italian penny hoses to West Germany. As to the Brescia small steel producers, they have been the centre of a running controversy at European community level because of their low-cost products and aggressive export policies.

But this industrial system also generates a dynamic cycle where eventually the small workshop develops into a larger unit which, in turn, relies on a fresh crop of smaller groups in the immediate area. Within this thick and varied industrial tissue there are local banks providing a consistent support operation and local consortia assisting and enhancing export performance.

It is this sort of structure.

Paul Betts

هكذا من العمل

IX

Italian Genius

It was on 6th March 1475 that the second child of an ancient but impoverished Florentine family was born at Caprese in Tuscany. His father christened him Michelagnolo Buonarroti Simoni—and was later to oppose the young boy's desire to draw. By contrast the world simply called him Michelangelo. And was to acknowledge his genius as an artist, architect, sculptor and poet.

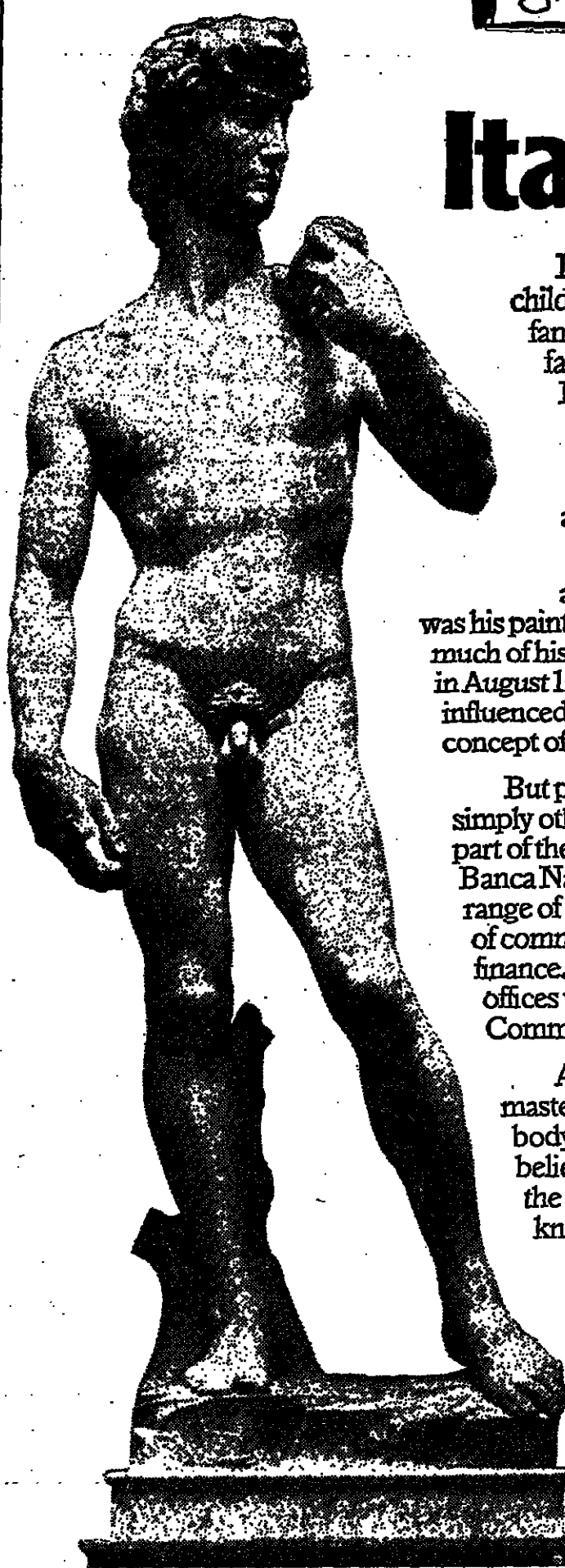
Yet although Michelangelo was always to insist that he was only a sculptor, it was his painting of the Sistine Chapel which earned much of his fame. From the first viewing of the frescoes in August 1511, a whole generation of painters was to be influenced by the perfection of his new idealised concept of humanity.

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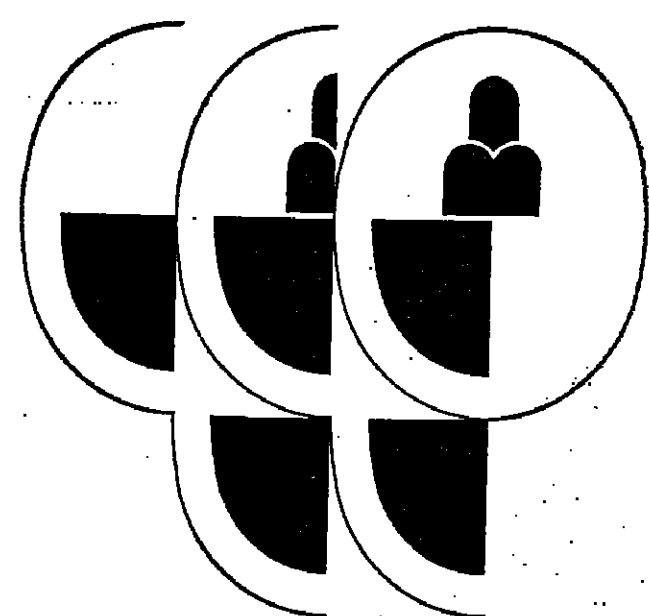
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Steel industry waits for market reaction

By a Correspondent

AFTER A difficult year in which production was severely hit by strikes, the Italian steel industry is watching the market carefully for indications of demand. For the moment, steel industry officials say, this is good. But they are reluctant, in the face of business fears of a possible recession, to make forecasts. Last year was a poor one for many Italian steel companies, and Italsider in particular, the State-controlled company which accounts for nearly half of steel production, once again ran up a heavy loss.

Acrimonious

National steel production last year amounted to 24.1m tonnes, putting Italy in second place within the Common Market after West Germany, and in sixth place world-wide. Output was only 0.9 per cent below 1978 levels, but cuts in production, forced by strikes in the course of acrimonious negotiations for a new national labour contract in the steel sector, hit the industry at a time of rising domestic demand. As a result, imports rose to record levels as consumers, to preserve their stocks, turned to foreign suppliers. According to Assider, the steel industry association, 1979 steel imports rose to 7.7m tonnes, in ingots equivalent, from 5.5m in 1978, while exports dropped to 9.4m tonnes from over 11m.

Stocks build-up

Both apparent and real consumption of steel last year, and consumers have again been building up stocks to levels which would weigh heavily on the market in the event of a future slump. Apparent steel consumption last year rose to 23m tonnes from 19.3m in 1978,

while real consumption is estimated to have reached 22m tonnes against 20.5m. Real consumption is unlikely to maintain its 1979 level this year, and analysts forecast it could drop by 1m tonnes.

The market for hot rolled coils in particular, one of the main types of steel produced by Italsider, turned to imports in a big way to satisfy strong demand. The loss of potential sales for the State steel group was particularly bitter, with both EEC and non-EEC suppliers taking advantage of Italian demand and undercutting Italsider's prices.

Italsider's production last year fell to 9.7m tonnes, from 10.4m in 1978. By the end of the third quarter the group had already accumulated losses of more than L400bn (including a L205bn loss for the first nine months), threatening the need for a possible reduction in capital.

Burdened

Heavily burdened by costly short-term debt, Italsider recorded a deficit for 1978 of L348.5bn, equal to 18.8 per cent of sales. Much of these losses, which continued in 1979, reflected the cost of keeping open the loss-making Bagnoli plant near Naples, for which Italsider has submitted a modernisation project to the European Community authorities. Bagnoli employs more than 8,000 workers in an area of chronic unemployment, and although its heavy losses might in other circumstances prompt its closure, in the Naples area such action is politically and socially unthinkable.

Instead, Italsider has started work on a programme aimed at eliminating losses by increasing the plant's capacity for finished steel products.

Two new continuous flow plants and a semi-continuous rolling mill will boost production of hot-rolled coils, a product for which Italsider expects good demand in the medium-term. At the end of the restructuring programme, finished steel products are expected to account for 75 per cent of Bagnoli's overall output, instead of only 40 per cent at present.

Issue

Plans are under study for increasing Italsider's capital from its present L1,179bn, and the group's State-controlled parent holding company, Finisider, has already announced its intention of going ahead with a record capital increase. Finisider plans first to reduce its own capital to L408.4bn to cover the accumulated losses of subsidiaries, and then raise it again, through an issue of shares, to L2,028bn. This would be a prelude to a capital injection for Italsider, as well as possible capital increases for other steel concerns controlled by Finisider.

Other Italian steel companies have also run into financial difficulties, and even the small independent steel makers of the Brescia area in Northern Italy, known to the trade as Bresciani, have seen profit margins dwindle because of inadequate prices. As a result, these companies, through lack of cash, are having to postpone plans for investment in new plants, thus risking the loss of future competitiveness.

Chemicals struggle

AFTER NEARLY five years of deep pessimism, of shut downs, of heavy losses and of sweeping management changes, Italy's chemical industry gives the impression of being on the verge of recovery. The new optimism and confidence at Montedison, the country's largest chemical group, is perhaps catching, but there is also the feeling that nothing could be worse than the past two years, when over production, under financing, excess manpower and even a series of industrial accidents, made the country's chemical industry one of the most chaotic and depressed in Europe.

There is certainly a number of encouraging signs. Montedison's sales are soaring, losses will be down again this year. There is serious talk about a new shareholder and a new international loan and the group seems to have pulled off the impossible by straightening out the worst of its problems in the loss making fibres sector. Under the chairmanship of Giuseppe Medici it has been made quite clear for the first time in many years that managers are there to manage and not to play politics.

Società Italiana Resine (SIR) which was hovering on the brink of financial disaster two years ago, is now in the hands of a consortium of creditor banks. The consortium has replaced the group's flamboyant founder and owner-chairman Nino Rovelli. In the wake of his departure there has been a major management reshuffle, an injection of

new cash—some L1,000bn over a three year period in all—and a reassessment of what was an over ambitious capital investment programme.

However, Italy's other major chemical companies, Anic, a subsidiary of the State controlled hydrocarbons holding ENI, Snia Viscosa and Liquichimica are still in difficulties. Anic is attempting to lighten the burden of its base chemicals and fibres by heading into the more profitable and remunerative areas of fine chemicals. But its efforts are not helped either by the management confusion at its parent company, ENI, or by the Government's decision to saddle the company with Montedison's share of the loss making fibre companies at Ottana in Central Sardinia.

Heavy losses

Snia Viscosa suffered heavy losses again last year thanks to the inability of its creditor banks, the Government and the unions to agree on the terms for the future of the company's fibre operations. Without these the company would be showing a decent profit on its other activities, mainly chemicals, aerospace, engineering and communications.

Liquichimica is also still waiting for reorganisation and a new owner. It is envisaged that the chemical interests of Raffaele Ursini, defunct Liquigas empire should be bought up by ENI on what would appear to be very favourable terms. There has been considerable interest in liqui-

chima's modern and technologically advanced plant by private Italian and foreign concerns. But these have been discouraged partly by their own desire not to get involved in a purchase until the Liquigas muddle has been straightened out and partly by clear signs from the Government that it wants to gain what it can from the salvage of the Liquigas wreck.

The financial difficulties and the uncertainties which have hit the major companies have been reflected both in the drastic increase in the chemical trade deficit and the slowdown of all capital building programmes.

One particular warning sign last year was the increase in the trade deficit registered for base chemicals, always one of the strongest areas of the Italian chemical industry in the past. The deficit in this sector trebled in the first 10 months of last year to reach L953bn, or 53 per cent of the total chemical trade deficit.

It is, however, the cutbacks in new construction which is perhaps more worrying in the long term for the industry. Such investment money as is now available is being spent mainly on energy saving and environmental control systems and the modernisation of existing obsolete plants. This could be seen as a useful period of consolidation but it could also mean that Italy will fall behind its foreign competitors if it has to mark time for too long.

Mary Venturini

Textiles sector revamped

THE STAGGERING losses that Italy's main fibre manufacturers have clocked up since the mid-1970s have distracted attention from the sweeping administrative, financial and production changes going on at Montedison's subsidiary, Montefibre, the State-controlled Anic and Snia Viscosa. Managements have been trimmed and streamlined, refinancing consortia headed by the main creditor banks are in the process of being set up, and production schedules have been reorganised and revised.

In the flourishing days of the early seventies, before the rise in the price of raw materials and the influx of cheap fibres, first from the Far East, then from Eastern Europe and now the U.S., companies were more interested in the lavish Government subsidies for building new plants and creating new jobs than they were in market requirements.

Now the emphasis has changed and manufacturers have become so market oriented that consciously or unconsciously they are carving out their own specialised sectors. Montefibre, for example, is concentrating its efforts on its traditional textile clients while Snia Viscosa is showing an increasing interest in industrial customers—the auto, construction and engineering industries.

Snia Viscosa readily admits that considerable effort is going into producing high quality, specialised goods. Research is now being done into the use of fibres, not only in the tradi-

tional field of clothing, but also in house construction, shipbuilding, car manufacturing, and pipe laying. Snia, however, is still struggling with its financial problems and over-manning. The company is having to sell off real estate and some of its subsidiaries to cover part of the L112bn losses registered last year. Even then, Snia will be unable to avoid a sharp capital devaluation and so far the terms of its refinancing have not been finalised.

Montefibre, which seemed to be the disaster story of Italy's chemical industry only a year ago, now appears to be on the road to recovery. The company has managed to get rid of much of its excess labour, production has been rationalised at five centres, new finance is on the way and Montefibre has finally managed to hived off its worst headache—the polyester complex it owned and managed jointly with Anic at Ottana in Central Sardinia—on to the State.

Consortium

The plants are to be bought out by Anic and in return Montedison has promised to put up half the money for the L200bn recapitalisation of Montefibre—the other half is to come from a consortium of banks led by Mediobanca—plus an extra reserve fund of L50bn.

Now Montefibre should be able to complete its showpiece polyester plant at Acerra just

north of Naples. This could be ready for full-scale production in two years from the time than construction starts again. Acerra will eventually account for 50 per cent of Montefibre's total fibre production and the whole of its polyester manufacture. Considering that productivity there should be not only well above the European but also above the American average, it is easy to see that Acerra is vital to Montefibre's future balance sheet.

Lumbered with Ottana, any hopes that Anic might have had for the future look dim. Special Government subsidies to buy out the Montefibre share and sustain losses may help to lighten the financial burden, but it does not help Anic rationalise its production problems. Its polyester and acrylic plant at Pisticci, in the industry-starved region of Basilicata, needs modernisation and it is doubtful whether Ottana can ever be economically viable unless the second part of the original plan is completed.

Even if money for this were available, the unofficial production quotas agreed by Italian and other Common Market manufacturers would not allow for extra polyester production out of Ottana plus the start up of full polyester production at Acerra.

A complete closedown at Pisticci might be the answer, but this would be possible only if Anic could provide substitute work for a region which is already far too short of jobs.

Mary Venturini

Do you know the Rizzoli-Corriere della Sera group?

Dear Reader, You will of course be familiar with some of the publications in the Rizzoli-Corriere della Sera Group, and you will have formed a fairly clear picture of them. But perhaps you know three or four individually, or twelve different ones, without knowing that they belong to the same Group. You know the publications, but not the Publisher.

The Rizzoli-Corriere della Sera Group publishes 1.8 million copies of daily newspapers per day, 6 million copies of periodicals per week, plus 15 million copies of books per year.

So it's important for you to know what this Group is — what it believes in — and thus what it works for.

How many there are of us

(in the world)

12,000 staff

Where we are

In Italy:

Milan (management — 3 plants — editorial departments — bookshop — TV transmission)

Genoa (plant and editorial department)

Bologna (paper mill)

Rome (plant — editorial departments — bookshop)

Naples (plant — editorial department)

In Argentina:

Buenos Aires (management — plant — editorial department)

In Spain:

Barcelona (management — sales of books and magazines)

In the USA:

New York (management — editorial department, bookshop)

Atlanta (bookshop)

Washington (bookshop)

Chicago (bookshop)

At a time of crisis and uncertainty

such as we live in today, the very fact of producing information compels us first of all to be quite clear about the information that concerns ourselves.

How much we have grown:

(in billions of lire)

	Total sales	Plants
1974	183	61
1975	213	76
1976	280	86
1977	345	104
1978	405	115

What we are

What we are. Observe the most significant figures in the tables published for you above. As you can see, the Rizzoli-Corriere della Sera Group is obviously a big producer of information of all kinds and at all levels — from straight news to cultural reports, and from commentaries on contemporary life to political criticism. We are recognised as a

"major" producer — but not as a "ruling" one. It is a question of attitudes, and attitudes are vital to anybody producing information, who must feel he is part of a civilised society, and therefore part of a system of values, rights and duties which all information given must respect.

We do not in fact believe that our product — information — is a "finished" product. Rather, through the reader's reactions and collaboration, this

freedom of the press — is independence. Therefore, our Group's first pledge must be to ensure its reliance on a constant economic balance.

Only this enables us freely to get the news we want, to communicate it freely, and to get it freely to those wishing to receive it.

This means that each publication in the group has to aim at its own economic self-sufficiency: to be achieved and defended jealously — just as the

always seeking to present every event, situation or problem from different possible angles of judgement; by listening to and reporting on different voices, in the conviction that information half given is bad information. The reader can thus form for himself, with his own education and personality, an independent opinion from that of those who set the news before him or put the problem to him.

Thus our aim is accomplished. The reader — the citizen-reader — becomes a co-protagonist, a contributor to the independence and freedom of information.

How many readers we have

Daily readers: 5 million per day

Weekly readers: 25 million per week

Monthly readers: 7 million per month

Books printed per year: 15 million, spread over about 1,000 titles

A concrete example of this outlook, of this sensibility to different viewpoints, or in this case to different words, is the opening of a "Corriere della Sera" office in Peking and the simultaneous publication in Toronto and Milan, via satellite, of the same front page of the same edition of the "Corriere della Sera".

But this is indeed just an example — though one of the most striking — of a concerted drive on the part of all the journalists and editors in the Group, to offer the reader — by showing him the contradictory facets of present reality — every possible element with which to reach an independent opinion. Every truth has a counter-truth. Any article and any book could (and ought) therefore to be matched by an article and a book adhering to the opposite views. As in fact happens within the Rizzoli Group, where different publications correspond to different mentalities.

Only articulated in this way can an information group make itself the spokesman and defender of the interests of such an articulated body as that of our society.

Freedom at this point can at last fulfil itself, in that it is not only the fruit of a choice, but more importantly, a two-way freedom: the freedom of the writer, of course, but also the freedom of the reader.

This is what we try to achieve. And now (as we said) it's up to you to judge, dear Reader.

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G. C. SANSONI EDITORE NUOVA S.p.A.

information is transformed into opinion.

So then, our Group plays a conspicuous part in shaping the opinions of the Italians. It operates, as they say, directly on the culture and ideas of the country. This is a heavy responsibility — and like all responsibility, it entails both a pledge and moral convictions. So here they are.

What we believe in

What we believe in. Of all the things which civilised society expects from the information industry, we know that the most important is to obtain unconditioned news. In fact, the prerequisite for any freedom, but especially

principle of giving the best possible product for all our publications, to fulfil the expectations of their respective readers, also must be jealously guarded.

Now let us see how we intend to use our freedom of information.

In our opinion, objective information is not the communication of facts separated from ideas. Those who communicate don't have to refrain from expressing an opinion. Some kind of stance is inevitable, unless we want to turn information into something removed from reality and people's thoughts. How, therefore, are we to be impartial? In this way: by

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Vatican is still a force

RELATIONS BETWEEN the Vatican and Italy have never been quite the same since the election two years ago of the first non-Italian Pope in four and a half centuries. Up to then there had inevitably been a special relationship between Italy and the Holy See, with the presence and influence of the Vatican and the Pope invariably felt on Italian political and social life.

With its army of priests and bishops, the Roman Curia and the Italian Episcopal Conference weighed heavily in favour of the long-ruling Christian Democrat Party at times of elections or during issues of such national importance as the referendum on divorce. It has undoubtedly conditioned Italy's cultural and social evolution during the last three decades of transformation after the war and the fall of Fascism. In political terms, it has been an invaluable ally for the Christian Democrats in holding back the growing electoral appeal of the country's powerful Communist Party.

But in the last two years, the direct intervention of the Vatican in Italian affairs has quite visibly declined. From the beginning, the new Polish Pope, John Paul II, emphasised his intentions to project the universal role of the Church. He has visited more countries than any other pope in the same span of time. In his brief Pontificate, he has travelled to Mexico, Poland, Ireland and North America. He now plans to visit the Far East, Latin America and Africa later this year. It was with some irony he told the crowds assembled for the traditional midday blessing in St. Peter's Square after his visit to America that "the Pope now plans to stay a little at home."

Since his election he has also made a number of significant changes in the leadership of the Church. The conservative Roman Curia, the traditional hierarchy of the Church, has been transformed. The new Secretary of State, Agostino Cardinal Casaroli, is essentially a diplomat and the leading figure in the Vatican's dealings with the Communist countries of Eastern Europe and recently to China. The Pope has also indicated he intends to bring about major changes in the management of the Vatican's finances—an issue which has always been at the centre of controversy in Italy and which has seen the Vatican associated with one of the more unsavoury sides of the long-ruling Christian Democrat Party and at one time with the St. Ignace financier, Michele Sindona.

Unprecedented
But last autumn, the Pope called an unprecedented extraordinary meeting of the Sacred College of Cardinals to tackle this delicate problem of the Vatican's finances. The meeting too was seen as tangible evidence of the Pope's efforts to give the Vatican a more collegial and international form of leadership. In the specific case of relations between the Vatican and the Italian State, the Pope has seemingly been pressing for a swift end to the protracted negotiations for the revision of the concordat, the State-Church pact originally signed between Pope Pius XI and Mussolini in 1929. The spirit behind the revision of the concordat reflects the current thinking of



Pope John Paul II: gift for showmanship

the Church which, as the Vatican puts it, is "seeking no privileges, but only sufficient liberty to carry forward its evangelising mission."

The revision of the concordat is essentially based on the principle of non-interference by both the Vatican and the Italian State into their respective affairs. In a country like Italy, where the Church has always had a deep-rooted effect on political and social life, often coming out in the open at times of political tensions to lend more than a gentle helping hand to the Christian Democrats, the significance of the concordat revision is enormous.

In so many words, the Vatican is seeking to emphasise the universal quality of the Church.

In the case of Italy, it has increasingly emphasised its total and unambiguous autonomy even from an old ally like the Christian Democrat Party. And although this is a process which is crystallising under the Pontificate of the new Polish Pope, it was nonetheless started in a less spectacular fashion by Pope Paul VI before he died in the summer of 1978.

On the surface at least, all the visible signs suggest that the Vatican's influence in Italy is declining. But like all visible signs, and the Church knows this better than most, they often convey a deeply misleading impression.

Indeed, since his election, Pope John Paul II has had a huge impact in Italy, as in other countries, and this has led to what is tantamount to a major revival of interest in the Church. He can draw a crowd better than most and his command of the media and gift for showmanship is extraordinary.

Humanitarian

He comes from a country where the Church has fought, and continues to fight, for its independent rights. Its policy in Poland has been one of making certain concessions in return for pastoral gains. But as elsewhere, the Church has never made any easy concessions, especially on fundamental questions of doctrine or on its freedom to conduct its evangelising mission.

The Pope's own public statements have reinforced this view. While he has repeatedly indi-

cated he intends to adopt a liberal and humanitarian approach to social issues, particularly on the question of basic human rights, he has also seemingly revealed himself a traditionalist in matters of dogma and theology. In the last months, both in Italy and on his foreign visits, he has reaffirmed the concept of priestly celibacy and the church's traditional position on abortion, and has come down firmly against a number of progressive theologians causing a major controversy between traditionalists and modernists.

In Italy, the Vatican has also traditionally maintained a similar unambiguous approach when it comes to the Italian Communist Party. Indeed, the pressure has been more on the Communist Party to make ideological and hence political concessions to the Church since the Italian Communist leadership have never underestimated the Vatican in Italy. At the same time, the party has gone to considerable pains not to clash with the Church, and its fundamental policy has been to seek what it calls a "historic compromise" between Catholics and Communists in Italy.

But the Vatican has continued to make it clear—albeit less directly than in the past—there remains an incompatibility between Christianity and Marxism and thus an incompatibility between the Church and the Communist Party. This position undoubtedly continues to have a major impact on Italy's delicate political situation.

Paul Betts

Private TV spreads

ITALY IS in many respects today a social laboratory, and nowhere is that truer than in the field of broadcasting in general and television in particular. Alongside the State-run RAI, the country's equivalent of the BBC with three nationwide channels exist an estimated 350 privately owned local stations, scattered the length and breadth of the country and unregulated by any law.

It is a unique experiment likely to provide lessons for any other government thinking of altering its own broadcasting arrangements—and a nightmare for airline pilots who have to navigate through the packed airspace over a major Italian city. Today for a rough cost of £20,000, any television owner can have his set adjusted to pick up not just the three RAI stations, but up to a further 20 private competitors in the big centres such as Rome and Milan. Audience share figures for the RAI and the private stations depend obviously to a large degree on who has compiled them. But for all its studied outward indifference the RAI, constantly bogged down in sterile political intrigue, is without doubt becoming steadily more worried and steadily more demoralised.

Only 18 months ago, the share of private television was put at most at 8 per cent of the total audience, and gained mostly at the expense of the foreign-based stations, Tele Montecarlo, Tele Capodistria and the Italian channel of Swiss

TV which have long beamed their programmes into the country. Now, however, that figure is up to 17 or even 20 per cent—and higher still in the major centres where choice is greater and reception better.

One survey, carried out last November, estimated that in Milan, Italy's richest city and heart of the private TV industry, of those who were watching television during evening peak hours, no more than half at any one time were tuned in to Mamma RAI.

Court rulings

Today Italian private television is at the crossroads. The first pioneering stage, immediately after a series of constitutional court rulings between 1974 and 1976 which effectively destroyed the RAI's monopoly for local broadcasting, are over. True, housewives still disrobe themselves in converted attics late at night to provide soft-core porn on cheaper private stations, and many are the backyard operations which still keep going on the unpaid enthusiasm of amateurs.

Certainly too, whatever happens, private TV in Italy will not be banned: too many political interests are on its side. At the same time its status was underlined in January by a court ruling in Lucca ordering the RAI to lower the strength of its transmitter relaying the new third channel in Tuscany—because it interfered with the reception of several local stations.

But two fundamental changes, one already happening, the other likely to with the advent of a new Italian Government, are now exerting powerful pressures for rationalisation. The first is the prospect of legislation to at last create a framework in which private television—in Italy should operate.

The Posts and Telecommunications Minister in the outgoing Government, Sig. Vittorio Colombo, had already circulated to the political parties a draft Bill which by setting out minimum standards would almost certainly contribute to extinguishing many of the smaller fry. Sig. Colombo may or may not retain his job in a new administration. But few people doubt that legislation of some form or other will come, if only to meet increasing complaints not only from the RAI, but also from foreign countries such as Switzerland, the southern parts of which are heavily "contaminated" by private Italian stations.

But the exact complexion of the new law will only be determined by a compromise at a political level. The Christian Democrats, who are estimated to have control—direct or indirect—of up to 70 per cent of the stations, are keen to secure for them as much licence as possible. Indeed, the ruling party's interest in private TV is widely interpreted as a counter-offensive to make up for the partial loss of control of the RAI it has suffered in the past few years. Sig. Colombo himself is believed to be linked with Telelucano, perhaps the most significant force to have emerged in the private broadcasting field in Italy. The Communists on the other hand were late into private TV, and control no more than three or four stations.

The second change, however, is more important, and without doubt taking place already. Whether Italy's politicians like it or not, the most influential private TV stations are already organising themselves along the American pattern into national networks, even though the constitutional court decreed only that they could function freely at a local level.

Big groups

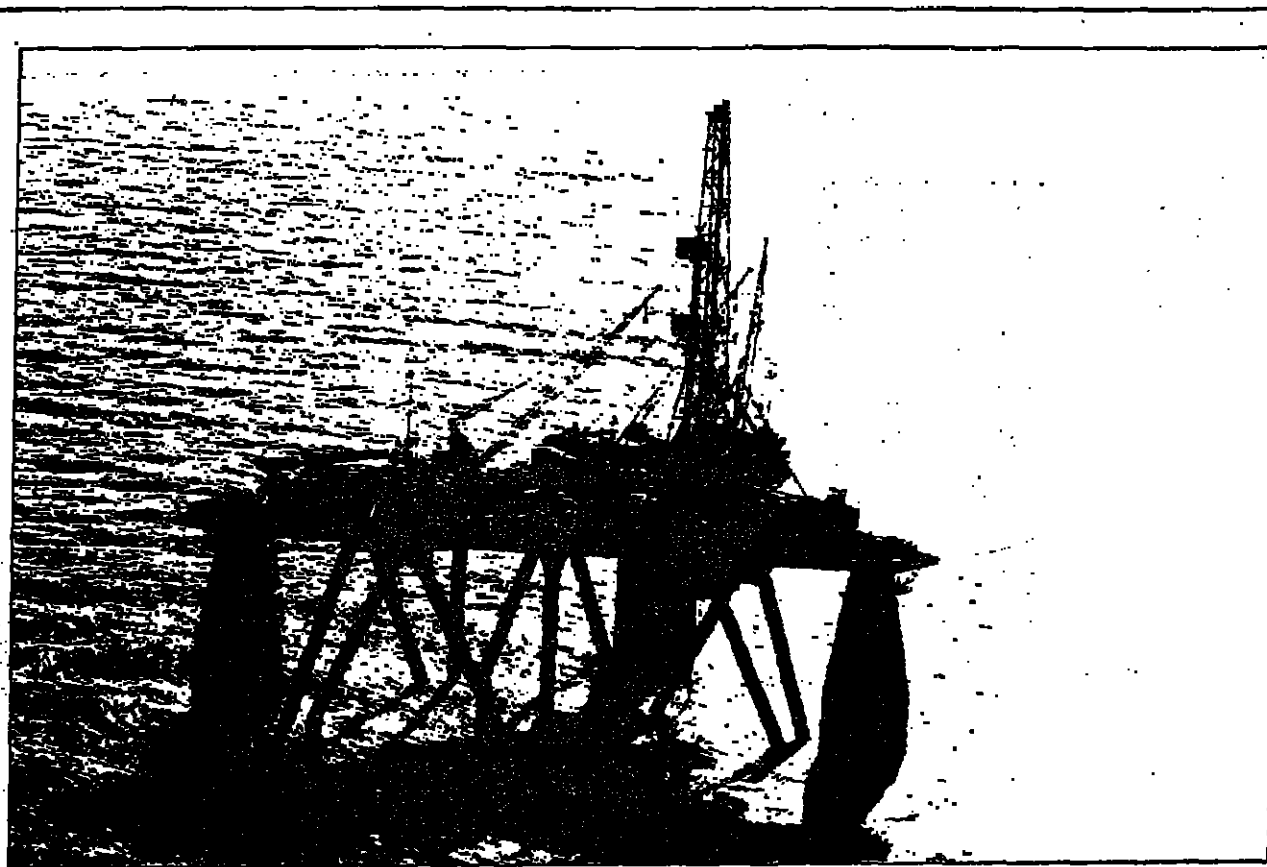
The emerging giants are mostly linked to publishing and Press interests, and through the latter with the political parties, chiefly of course the Christian Democrats. These big groups in turn operate specialist agencies to look after the vital advertising requirements of a group of stations which they do not directly control.

But the total advertising cake is not large, perhaps £70bn (£88m) of revenue in 1979, maybe £100bn (£54m) in 1980. If £1bn is generally held to be the minimum annual cost of a decent station, then it is easy to understand why many are dying, or being kept alive only through the munificence of a wealthy backer.

However, the much-vaunted "pluralism" of private TV, which its supporters held, would allow a breath of fresh air after the rigid, stereotyped output of the much-criticised RAI, has not materialised. True, there are a few imaginative, "alternative" programmes, but most private channels have realised that what their audiences want are films and old series, and as many as possible.

—G. Cornwell

هكزامن الذكىل



Good results for Eni in 1979

1979 saw greater activity on the part of ENI, the Italian State-owned energy and chemical group, and considerably improved financial results. Gross sales have reached over 23 billion US dollars, an increase of about 7.5 billion US dollars over 1978. Investment totalled 1,990 million US dollars, with 75% in the energy sector. ENI guaranteed over 40% of the domestic energy requirements (compared with 38% in 1978) with 38 million tons of oil and 27 billion cubic metres of natural gas. The growth in the energy sector was accompanied by increased co-operation with foreign countries. The Group exported technical, financial, industrial and organizational assistance and provided personnel training, as well as goods and services for the petroleum and other sectors. SAIPEM was recently awarded a contract for the construction of a major new 10 million ton p/a refinery in Libya with engineering by SNAMPROGETTI. Contracts were awarded to NUOVO PIGNONE for the installation of gas compression stations in Iraq.

Final agreement was reached with the Algerian government on the construction and financing of the trans-Mediterranean natural gas pipeline; this will enable SNAM substantially to increase the share of natural gas in the Italian energy balance. Possible new developments with other European countries are being studied in connection with this initiative, which is an important contribution towards the energy integration of the Mediterranean countries.



Eni

The policy of interdependence and direct co-operation between industrialized nations and oil producing countries provides ENI with new business opportunities and possibilities for projects in the main sector of the Group's operations. In 1979 ENI operated in 23 countries in the field of oil and natural gas exploration and production.

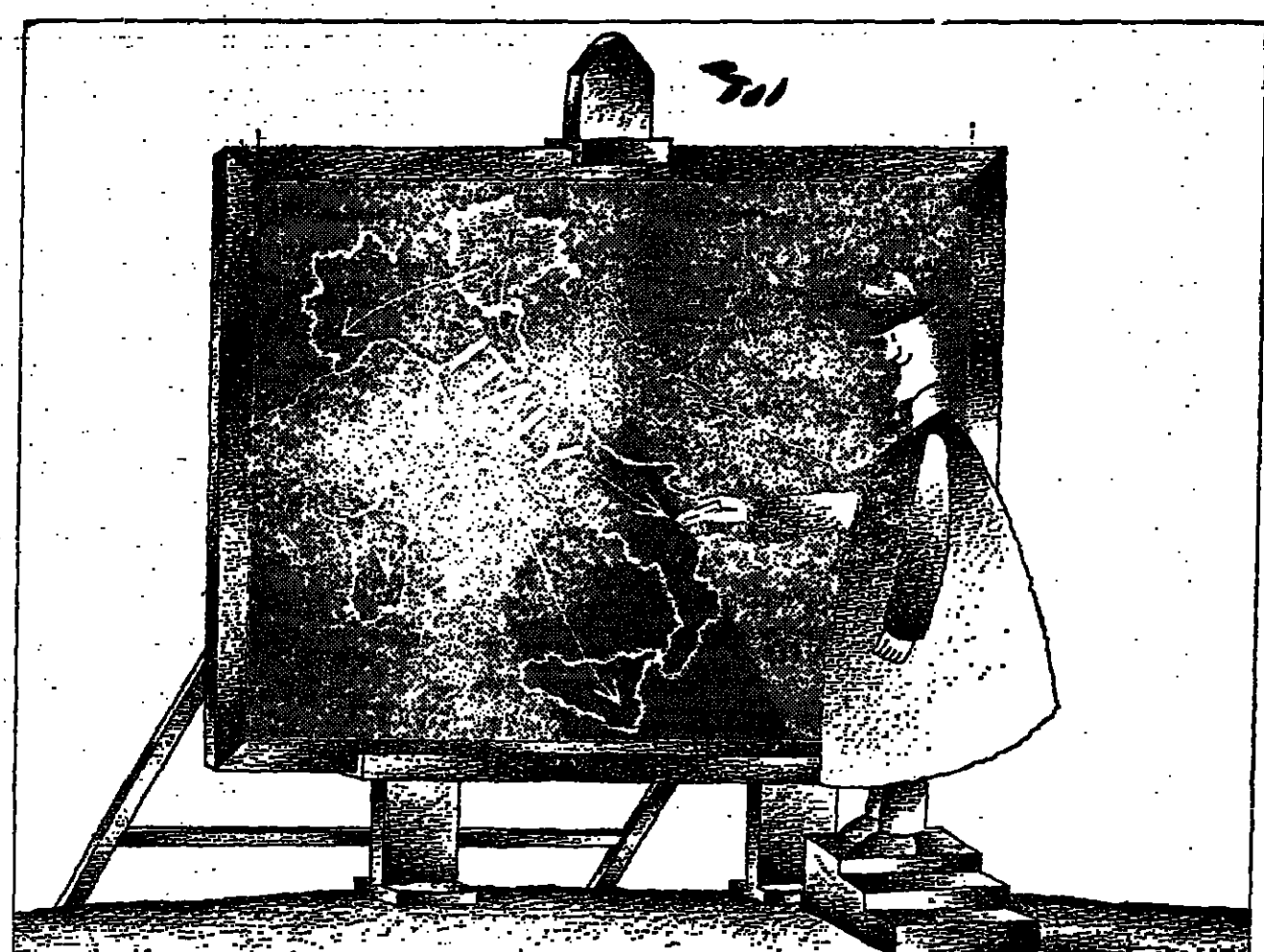
New offshore permits were obtained in the U.K., Egypt, Yemen, Ghana, Vietnam and Nigeria and an important agreement was reached with China. ENI companies produced oil, either as operators or in partnership with others, in ten countries. Norway, U.K., Tunisia, Egypt, Congo, Nigeria, Qatar, Iran and Indonesia.

The Group was involved in the promotion and development of alternative and integrative sources of energy (natural gas, coal, nuclear, geothermal and solar) and in the field of energy conservation.

As in 1978, the main increase in the Group's financial income was in the energy sector (in which AGIP is the largest Italian operator and a leading European company) and in the services, chemical and mechanical manufacturing sectors.

Chemicals, engineering, mechanical manufacturing and textiles increased their percentage of foreign sales and were the largest earners of foreign currency.

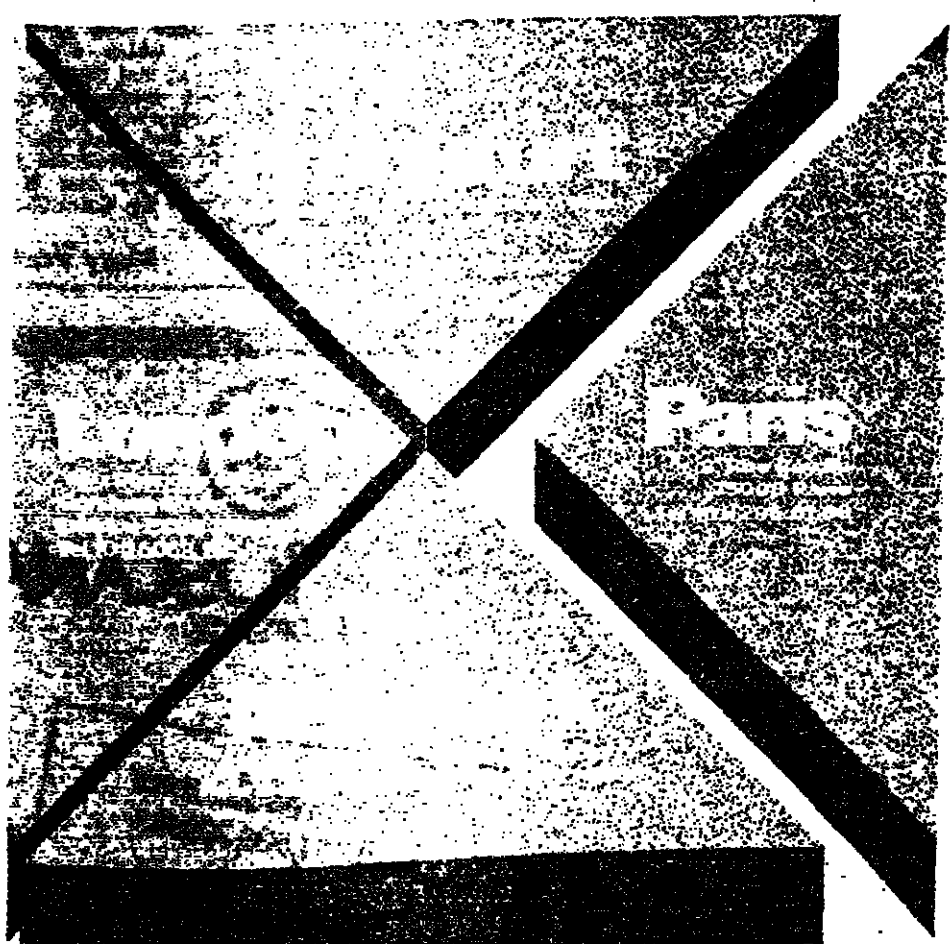
At the end of 1979, the ENI group employed a total of 120,000 people in Italy and abroad.



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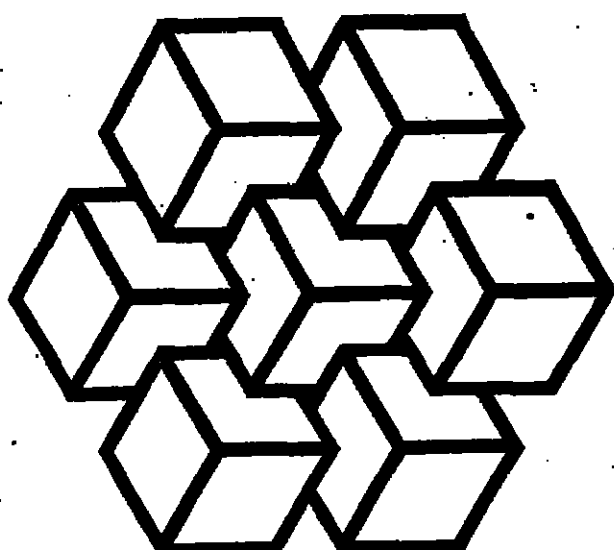


With the opening of the common Representative Office in Paris, which joins the Offices in Frankfurt, London and New York, four Italian Banks are present in the most important markets of world economy in order to favour business relations between Italy and the other Countries.

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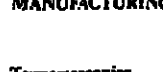
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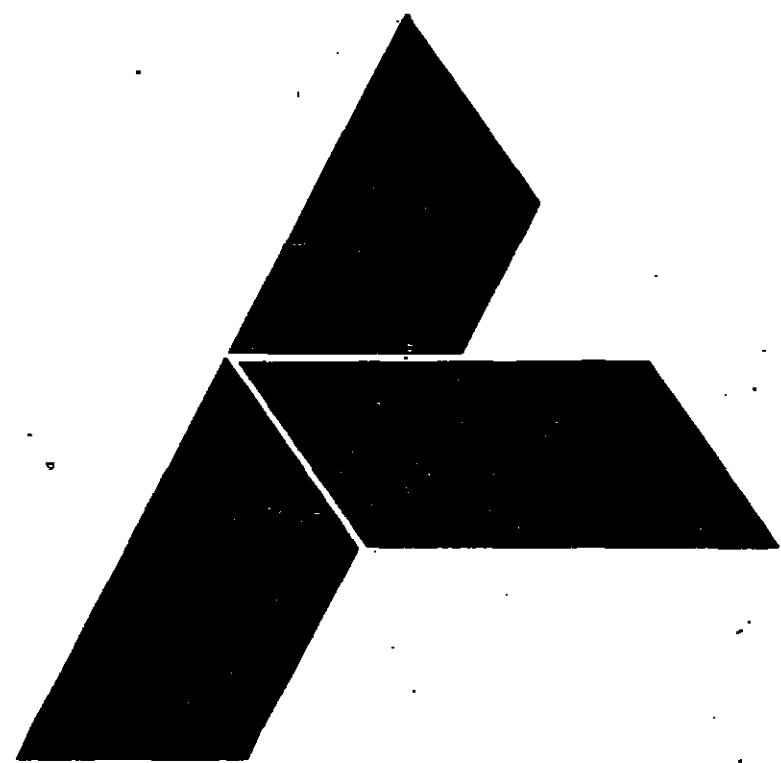
companies in such industries as the automotive (Alfa Romeo), thermo-electromechanical and nuclear power (Ansaldo, AMN, Breda Termomeccanica), aerospace (Aeritalia), diesel engines (VM, Isotta Fraschini), plant engineering (Termomeccanica Italiana), diversified mechanical products (Saimp). Finmeccanica can help you in everything from basic research and

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ITALY XII

Tourists pour in for climate and culture

ITALY REMAINS the most powerful magnet for European tourism — and one of the most powerful in the world. The appeal of its climate, its varied beauties, its culture, its food and wine and its people is constant. Despite the advertised chaos which seems to pass for the country's public services, the inherent appeal of its way of life remains, for the foreign visitor does not experience most of the harsher realities of life as lived by the Italians themselves.

This basic timelessness is indeed a measure of just how misleading the daily Press reports of terrorism and crisis can be. What is more, Italy's centuries of tradition as a tourist centre have meant that many of the violent distortions and difficulties encountered by new tourists, "powers" such as Greece and Spain have been avoided; and industrialisation, land speculation, pollution and the various other vices of contemporary Italy have done surprisingly little harm to its attraction to the foreigner.

For contemporary Italy, that is just as well. Tourism, in the prosaic expression of money and jobs, is vital for the country to pay its way. Although final figures for 1979 have not yet emerged, tourism is expected to have generated a gross inflow of about Lire 7,000bn (\$3.6bn), and after the deduction of money spent by Italian tourists abroad may well have yielded a net inflow of foreign exchange of L.5,500bn (\$2.7bn), compared with one of L.4,310bn in 1978. The true benefit to the economy if incidental consumer spending by foreigners in Italy is included, almost certainly is higher still, even if rising prices are responsible for part of the gain.

Despite dismal predictions of a poor year, 1979 broke all previous records, and there is no unassailable reason why 1980 should not witness a further advance. Contrary expectations, the visitors continue to pour in, undeterred by terrorism, frequent air strikes, unreliable transport, inflation and the rest.

Only in Sardinia, the scene of kidnappings of holidaymakers, including the British engineer Mr. Rolf Schild and his



The harbour at Portoferraio, island of Elba

family last August, are the prospects noticeably gloomy for the coming season.

Italy's remarkable economic performance in 1979, of rapid growth combined with a steady balance of payments, owes much to tourism. Without it, the estimated \$5bn current payments surplus would have been a deficit, and an important source of new jobs, above all in the less-industrialised parts of the country, would have been removed.

For the first time last year the total of tourist-nights — officially registered — exceeded 100m according to provisional figures. The average stay of a tourist in 1979 was 6.5 days, up from 6.1 in 1978. Italy today boasts by far the largest accommodation capacity in Europe — twice that of Spain and no less than 13 times greater than Greece. Across the country are scattered 42,000 hotels, covering more than 1.5m beds — to which should be added a further 2.8m beds in private homes, holiday villages and camping sites are included.

Agreeable

On the face of it, it is an impressive picture. But the fact is that Italy could do better still, by far. This enormous capacity is only used for 33.3 per cent of the time. The underuse is most serious in the south, traditionally the target of sun-starved northerners in the sum-

mer, but which can offer an equally agreeable change of climate in the autumn and late winter and spring as well.

Indeed, tourism offers perhaps the cruelest reflection of the deep, and deepening, division between north and south which is the bane of Italy. Although the north and centre possess the vast bulk of the country's wealth and industry, they also attract five-sixths of the annual tourist inflow to Italy.

The south, for whose problems labour-intensive tourism would seem to offer perhaps the most promising approach, receives but one-sixth of the tourists. Ironically, many of its unemployed now go north to find work in the hotels and restaurants of the north, where local staff are hard to find.

Given the advantages which nature and man have piled upon Italy, it is not surprising perhaps that little has been done to officially promote an industry which has appeared well able to look after itself. The Ministry of Tourism, for all the economic importance of the sector, has long been utterly neglected by government. Slowly, however, things may now be changing.

There are three basic requirements: to cast more widely the tourist net, currently heavily reliant on Germany; to increase the length of the season and improve the use of capacity, and

to induce a greater flow of tourists to the south. The problems are indeed interrelated.

One of the reasons why Germany and German-speaking Austria account for close to half the number of tourist-nights spent in Italy is their geographical proximity to the holiday regions of north east and eastern Italy. It is a little known fact that the most popular tourist destination in the country is not Lazio and Rome, nor the Veneto, nor Tuscany, but Emilia Romagna with its Adriatic seaboard.

To shift part of this annual migration southwards will require incentives, and at the start of this month the Cabinet approved a new "framework law" to promote the tourist and hotel industry, especially in the depressed Mezzogiorno.

A new fund with resources of L.300bn is envisaged, to make subsidised loans to boost tourist ventures. Spending of L.50bn is earmarked for 1980, though the sloth of Italy's administrative procedures must make the target doubtful.

At the same time an overhaul is planned for Enit, the national tourist agency, and greater use to be made of borrowing via the European Investment Bank. Perhaps most promising are the initiatives taken by the various regions, which individually are less obliged to play off one particular interest against another. Here the possibilities are many: promoting off-season tourism by special rates and packages, and encouraging "social tourism" — i.e. by making facilities available cheaply to various social groups such as pensioners and school students.

With such a strategy, it is hoped, the country will be able to extract more from its unmatched tourist potential, and strengthen the operations of a sector which in one way or another provides employment for about 1.5m of Italy's 25m workforce. Most persuasive of all perhaps is the growing realisation that whereas a new job in the steel or chemicals industry today can cost anything up to £80,000 of new investment, a job in the tourist sector needs less than a tenth of that sum.

Rupert Cornwell

Fight over agriculture prices

MANY A seemingly well industrialised Italian still hankers after a small piece of land, his olive trees, his vines and a few head of sheep. Now that industrial jobs are getting scarce and the young cannot find employment, a return to the land looks an attractive solution to Italy's economic, political and social ills.

"Back to the land" is a convenient slogan when the cities are over-crowded, the social services are inadequate and large areas of the less fertile uplands of central and southern Italy have been abandoned. Depopulated land can lead to landslides, soil erosion, the neglect of scarce water resources or even the lesser problems of poisonous snakes, marauding foxes and savage hornets. A pressing need to cut the L.5,000bn deficit in agricultural trade — food is the second largest single item in deficit after energy — also makes the simplistic equation of "back to the land equals more food" look interesting.

But more home-grown food might end up costing the average Italian much more than he thinks and certainly much more than his Common Market neighbours would like to pay. There is already a high proportion of Italy's working population employed on the land. Some 15 per cent is still working in agriculture, forestry and fisheries compared with 2.9 per cent in the UK. This is well above the EEC average of 8 per cent and is second highest only to Ireland with its 23 per cent.

Reversal

In Italy, agriculture accounts for 9 per cent of Gross Domestic Product; in Britain it accounts for 2.8 per cent. These figures show not only that productivity in Italy is still relatively lower than in other EEC countries but that agriculture is more important and that farmers are a group to be reckoned with. A return to the land would be a reversal of a general historical and European trend. It would entail an increase in production without necessarily yielding an increase in productivity. To maintain the living standards of a growing farm population would also mean an even greater upward pressure on food prices. Clearly, with some 3m people on the land compared with only 600,000 in the UK, higher agricultural prices make much more sense to the Italian politician than they do to the consumer-conscious UK Member of Parliament. Italy's expensive sop to the consumer is its system of Government-blocked or controlled prices for staple food products.

Italy is in fact pressing for a larger average increase in agricultural prices than those just agreed by the EEC. Sig. Marcora has stated that the average 2.5 per cent increase is not enough for Italy. Even when this is added to the five per cent devaluation in the Green Lire, he maintains, it is inadequate when inflation in Italy is running at over 20 per cent. He would like to see something nearer a 13 per cent average increase but sentiments of this kind do not go down well with the British in particular.

Sig. Marcora is also running up against EEC partners in his attempt to freeze a decision on the downward revision of sugar quotas. As the Italian quota would be well below consumption levels more imports would be the obvious result. Cuts in North European products such as cereals, meat, poultry and milk would also hit Italy. These account for over 50 per cent of agricultural output, are the most rapidly expanding sectors and help most in containing the balance of trade deficit.

Most of these products come from the Po Valley, Italy's richest farming area, which has all the advantages that central and southern Italy does not. It is good, fertile, well-drained soil. Mechanisation is easy, the agricultural population per hectare is relatively low, distribution is good and farms are large.

For historical and political reasons going back to the land reforms after the war Italy's agricultural land is badly fragmented into smallholdings worked by owner-farmers. Nearly 70 per cent of all holdings are under five hectares. Out of a total of 2.5m farms only 19,000 are larger than 100 hectares. Some 350,000 are concentrated in Sicily.

One of the ways designed to help smallholders has been the formation of co-operatives. These are used mainly as sales outlets or for such things as preserving and pressing olives. They also supply grain, fertilisers and pesticides. Their potential as suppliers or lessors of farm machinery is still under-utilised. The co-operatives have been particularly successful in regions, such as Tuscany, Umbria, Friuli-Venezia Giulia, where they have also considerable political weight. One criticism raised against them is that they help those who can help themselves, not those with the greatest need. They have never caught on in, for example, Sicily, where only 9 per cent of all farms belong to co-operatives compared with 43 per cent in Tuscany. Furthermore, it has been the medium-sized farms which have made the most use of co-operatives, not those under five hectares. Government and Common


Market financial aid is also failing to get through to those most in need. Administrative inadequacies, particularly in the South, have often meant that information has not been available, that applications for grants are not made and that the money therefore lies idle in Rome or Brussels. The Ministry of Agriculture accuses the regional governments of inefficiencies. The Communist Party, however, has been quick to reply that the regions controlled by the Left, mostly in central and northern Italy, can point to increased farm production, mechanisation and employment of technicians as proof of subsidies well spent.

Advisory services Efforts are now being made by big industrial companies to provide assistance to the small farmer. Montedison, which has a vested interest because of its production of fertilisers, pesticides and herbicides, is now branching into advisory and technical services for agriculture. A special division offers advice on such projects as irrigation and drainage systems, greenhouse design and maintenance, the use of solar energy in agriculture, and waste recycling.

Efforts to link the farmer and the food processor are being encouraged with Government subsidies. But vertical integration from cultivation or rearing of livestock through to the tinned or frozen end-product is still relatively rare. Both the farmer and the consumer have been obstacles to this sort of development.

The interest among insurance companies in farming is proof enough that it can be a very profitable business. In the South as in the North, the way or as well as on large estates, Lloyd Adriatico, Ie Assicurazioni Generali, SAI and RAS all have some sort of investment in farming, from fish breeding to dairy farming and rice growing. Almost all successful farmers in Italy have the same story to tell. They need high quality produce, which often means replanting and restocking, considerable mechanisation, help from research and advisory services and good distribution. The initial investment may be high but the cost is borne largely by the Government and the EEC.

Mary Venturini



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ECONOMIC VIEWPOINT

Last thoughts on a bold Budget

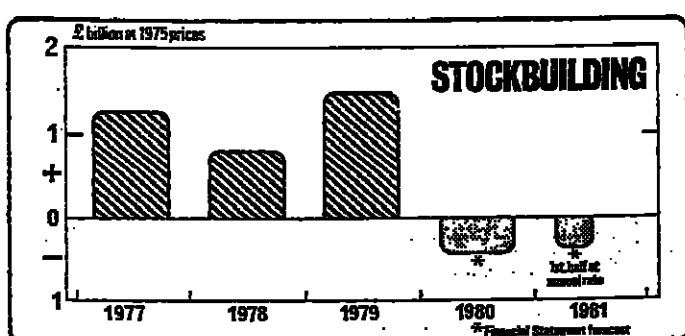
SOMEONE asked me the other day if I had ever praised a Budget before the present one. I seem to remember being at least mildly favourable to the Jenkins Budgets of the late 1960s designed to make devaluation work.

But what I do remember clearly is welcoming the floating of the pound in 1972 and then being blamed because it did not produce an instant miracle. It was not meant to and could not have done.

Floating rates did, however, do all that could be expected of them. This was to allow independent countries pursuing widely different domestic policies to continue trading without balance of payments crises and with a surprisingly sparing resort to exchange and trade restrictions, considering the violent shocks to which the world economy was subject from the oil price increases and the subsequent recessions.

A medium-term plan for reducing monetary growth has this in common with floating rates: it is a policy which, if adhered to, will cope with one specific problem, that of double digit inflation. It will not remove a century-old lag in British productivity growth, revolutionise industrial relations, or remove the labour market distortions which have raised the British unemployment rate to the low millions.

All these other problems are, however, aggravated by a high and unstable rate of inflation. (High rates of inflation are bad mainly because they are never stable.) Price and wage signals, on which the market mechanism depends, are obscured; investment horizons are shortened and social tensions are sharpened as people have to resort to collective action to maintain their place in the pecking order. Thus a return to an inflation rate well



into single figures, which is within our grasp if the plan is followed, would remove an important aggravating factor, but is not itself a recipe for transforming the supply side of the economy.

Listening to Mr. Healey's show of indignation, I could not help wondering how happy he would have been to have produced a monetary and fiscal strategy himself. To do that he would have had to have changed the way Treasury economists worked instead of shouting at them.

Real plan

But if he had got past that point he would certainly not have understated what he had done. We would have been told that the UK was a pioneer in attempting what no other mixed economy had so far done. The strategy would have been sold as a real plan which, by concentrating on the things that government could do, avoided the mistakes of the George Brown effort. Selective approving quotations from distinguished international bankers would have been produced.

The whole operation would have been heralded by a boastful announcement of the advance repayment of international debt, and backbenchers

who criticised the deliberate overcaution of the growth projections would have been told that they were "out of their tiny little Chinese minds."

Whether it is better to overplay policies in the Healey manner or underplay them in the Howe one is a matter of taste. It is more important to note that the projections in the Financial Strategy vary in their logical status. The central policy target, to which everything else is subordinate, is the phased reduction of money supply growth from 7 to 11 per cent in 1980-81 and 13 per cent in 1982-84. This target should be read together with the introduction to the Green Paper on Monetary Control, which explains that if the monetary system is free of distortions such as the corset, the different monetary aggregates will move roughly in line with each other, but there is nothing sacrosanct about the particular definition of "Sterling M3"—the object being to control money and credit rather than massage a particular number.

The fiscal projections are instruments for achieving the monetary objectives. The key instrument is the Public Sector Borrowing Requirement (PSBR) expressed as a proportion of the Gross Domestic Product. The downward path shows, from 41

per cent in 1979-80 to 21 per cent in 1980-81 and 13 per cent in 1982-84, is an honest estimate of what is required to reach the monetary goal without prohibitively high interest rates. But clearly the fiscal goals are subject to revision in the light of experience. In particular, while it is important to stick to the downward path of monetary growth, it would be no tragedy if the PSBR percentage deviated upwards in recession and downwards in recovery periods.

The expenditure and revenue projections are of an altogether lower logical status. If either expenditure or revenue differ from the suggested path, it will not greatly matter for stabilisation purposes, so long as the gap between them is kept under control.

Cambridge type

They are in fact based on quite astonishingly pessimistic growth projections—which assume almost zero growth without North Sea oil. I suspect that their origin lies in a Treasury Medium-Term Assessment of a Cambridge type, which assumes that tight money will lead to demand deficiency through a permanently overvalued exchange rate—in contrast to Sir Geoffrey Howe's own belief that growth in the

medium-term is supply determined.

But the Ministers and officials who supported the strategy (and who won only by the skin of their teeth) were absolutely right to turn this scepticism to their own advantage. They did so by basing public spending plans on over-cautious growth assumptions rather than on the over-optimistic ones of the past exhibited by the famous porcelain chart (published on Page 4 in today's Financial Times). There is a vital difference between the monetary and PSBR aggregates which represent intentions and the growth assumptions which are merely forecasts, if that.

Growth is likely to be higher and North Sea oil revenue higher than the Treasury assumes (the official oil estimate was deleted at the last moment because of the EEC Budget negotiations, even though it was highly conservative). Thus a Government in 1983-84 might have a much larger "Budget margin" to play with than the £3.5bn shown; and there would be a choice between cutting taxes further, increasing public expenditure while keeping it at 40 per cent of the national product, eliminating the PSBR, or some mixture of all three.

The important point, however, is to monitor the progress of the strategy. We need to roll it forward, but also check its past progress. That is the only way to avoid "base drift"—an inelegant U.S. term for the way in which the Fed went on publishing modest yearly monetary target from an ever rising base, which reflected the overrun of earlier periods.

The short-term economic forecasts should not be forgotten. No "unparalleled austerity" is expected for con-

sumers whose spending is supposed to rise in volume by 1 per cent per annum. Indeed by far the greatest recessionary force is stockbuilding, which is expected to switch from nearly £1.5bn (at 1975 prices) last year to minus £0.5bn in 1980. This alone accounts for about three-quarters of the predicted 24 per cent fall in output.

If anything remotely on this scale occurs one may expect a dramatic fall in bank borrowing. The latter should in its turn bring a sharp drop in nominal interest rates if the authorities really do pursue a money supply policy. (There are some similarities with 1977 when MLR fell to 5 per cent.)

Enthusiasts

Indeed, by next autumn or winter we may be in one of those phases when money supply enthusiasts criticise the Bank of England for too slow a rate of monetary growth. I think, however, we can rely on the Prime Minister to ensure that interest rates do not remain up for a day longer or a point higher than absolutely necessary.

Lower nominal interest rates should in turn lead to a lower exchange rate, thus solving part of the problem of the decline in cost competitiveness with which it is so fashionable to castigate the Government. Other things being equal a fall in sterling would undermine the counter-inflationary effort. But they will not be equal. For the likelihood is that world inflation will be falling off rapidly, thus offsetting the inflationary impact of depreciation.

A glance at the index of mainly imported materials and fuel purchased by British industry tells us more about UK inflation than election dates, VAT

increases or the other staples of political arguments. These input prices were actually falling in 1978—the year that Mr. Healey really did achieve 8 per cent inflation; but by this winter input prices were rising over 40 per cent.

They are now however rising by much less, if at all. World commodity prices have been falling for the last few weeks—most dramatically silver, but other metals too. The premium on spot oil has virtually disappeared. The prices of world manufactured goods move less dramatically and with a lag, but their rate of increase should be well down by the end of the year in response to anti-inflationary policies in many countries.

But it would be a pity if lack of space were to give the impression that the only important parts of the Budget were in the "macro" field. There were many small changes—quite apart from the enterprise zones—likely to improve work incentives and remove investment deterrents to small companies.

The most ingenious stroke was to use the proceeds of the abolition of the lower rate tax band, not to take a point or two off the basic tax rate, but to allow the full Rooker-Wise indexation of thresholds. This prevented the poorer taxpayers from being dragged back into the tax net by inflation. Yet at the same time it clawed back sums from people in the middle and upper ranges in the context of a pretty tough Budget that increased the real tax burden by about 11bn, as frankly admitted in the Financial Statement. It is probably this switch of emphasis more than anything else which caused attacks on the Budget on social grounds to fizzle out. Unlike last year's, the 1980 Budget is decidedly not a "Tory Budget."

For the average taxpayer. The formula is related to the inflation rate, but the principle has been clearly established that in periods of economic difficulty this adjustment factor may have to be somewhat less. Once this is clearly established and understood, it will be safe for the Government to issue indexed bonds without the dire inflationary infection feared by the do-nothing brigade. Its willingness to issue such bonds is the crucial test of whether the Government believes, understands, and is prepared to follow its own strategy. This is not merely very highly placed official observer, who by no stretch of the imagination could be called a Friedmanite. The test is still to be resolved.

Samuel Brittan

Letters to the Editor

Civil Service numbers

From the Secretary General, Civil Service National Whitley Council Staff Side

Sir,—Although I am bound to dislike the terms used in your editorial of March 24 to describe the Civil Service (a Hydra with 700,000 heads), I must acknowledge your attempt to put matters in perspective regarding civil service manpower while at the same time depicting a rather cheap jibe. It is unfair and unworthy to state that civil servants give priority to preserving jobs rather than services to the public. It is untrue. As you point out it was Ministers in charge of departments who were asked to prepare the various options for manpower reductions and it was Ministers who authorised final plans for their own individual departmental circumstances. In the period immediately prior to the December announcement, in spite of an increase in Home Office numbers, the overall manpower of the civil service had dropped by 24,500. To this must be added the December figure of 39,000 and the more recent estimate of a reduction of 15,000 to 20,000 jobs in the context of cash limits. As you say a sizeable percentage reduction.

What has happened simultaneously is the Government's intention to introduce new measures in the field of social security coupled with the sharp rise in unemployment. Tighter scrutiny for one and longer queues occasioned by the other must necessitate an increase in staff. This fact should be viewed outside the context of manpower reductions. It is a direct result of Government action. As is the increase in the Home Office manpower.

You say in effect, that greater efficiency must be achieved by measures related to output and productivity. The civil service unions on behalf of their members, have an excellent record of co-operation in searching for and achieving efficiency. It is at the unions initiative that there are currently joint discussions taking place on the whole field of new technology. While I do not necessarily dissent from your long-term outlook it must not be forgotten that in a modern state there are large areas where individual problems have to be dealt with and that these are not necessarily capable of being solved by blanket computerisation.

I certainly find myself in complete agreement with your concern over the question of unplanned manpower reductions as a result of cash limit squeezes. The cash limit announced for 1980/1981—I will assert—is a completely arbitrary figure, which apart from breaking the civil service pay agreement (and possibly the arbitration agreement), will impose the blanket type of cut which is to be deplored. It is this kind of action which will produce only bad effects—a demoralised and alien labour force, a backlog of work and an inevitable reduction in the level of service to the public.

W. L. Kendall, Civil Service National Whitley Council Staff Side, 19 Rochester Row, SW1.

The march of communism

From Mr. P. Vander Elst

Sir,—Mr. P. Vander Elst's view (March 21) that in a nuclear age we are better red than dead, poses a false dilemma based on ignorance of the real nature of Communism. Wherever Communism has triumphed, mass murder has followed in its wake. As scholars like Robert Conquest and Professor Kurganov have shown, anything between 40m and 66m Russians have been killed in internal repression since 1917. Similarly, Sinologists, like Professor Richard Walker, calculate that between 30m and 60m people have been liquidated by Chinese Communism since 1949. And what about the Cambodian holocaust in which one-third of that country's total population recently perished in the most atrocious circumstances?

The unpalatable fact is that Communism has taken a larger toll of human life in this century than both world wars combined. Is it then so obvious that a surrender to totalitarianism is preferable to the risk of nuclear war?

Mr. P. Vander Elst's view that Communism's intentions "are nominally noble" and that "Communism may develop in less objectionable ways" in the future, is wishful thinking even if we ignore history. Lenin actually warned posterity in 1922 that "if for the success of Communism we must exterminate nine-tenths of the population, we must not recoil from such sacrifices."

Philip Vander Elst, Parkleys, Ham, Surrey.

Quarterly charging

From the Managing Director J. R. Taylor (Fashions)

Sir,—The banks contemplate their vast profits and the Chancellor contemplates how to tax them and everyone talks about how to help the small and large businesses alike, who are having to pay excessive interest rates on their borrowings. At last I have seen action—our bank has decided to charge, quarterly instead of half-yearly, interest ensuring not only do we thus ensure the high interest but also pay high interest on that high interest. I cannot see how this can be justified when it still only pays interest on deposit accounts half-yearly. This, however, now seems to be becoming the standard practice in the banking world.

Would it not be better for the banks to at least go back to half-yearly charging, if not to helping the businesses and taking pressure off themselves by an excess profits tax? J. R. Taylor, J. R. Taylor (Fashions), St. Anne's on Sea, Lancs.

Spending oil revenues

From Mr. G. Hensard
Sir,—Hazel Duffy reported (March 6) that the Chancellor is seeking views on how he should spend the oil revenues. I suggest that he should use them to foster the regeneration

of British industry.

He should discriminate in favour of manufacturing companies—the established, the struggling, and the as yet unborn—using the revenue to fund corporate incentive schemes, high-risk ventures and acorn enterprises. For existing companies, he should provide strong, positive financial incentives to perform better year by year. Those which improve their economic performance should receive cash awards proportional to the rate of improvement. Those which do not improve should get nothing. The criteria should be conversion efficiency, wealth creation, asset turnover and organic growth, and the scheme should be structured somewhat as follows.

Companies would earn bonus points for annual improvements in significant economic performance indices, e.g. added value/purchases; added value, cash flow, inventories and turnover to average total assets (not capital employed); exports/turnover; organic growth in terms of added value and/or turnover (but not total assets). The emphasis would be on corporate productivity, rather than so-called "labour productivity." Bonus points would be converted into cash awards by relating them to added value, thus taking into account the scale of operations and the amount of wealth created.

The cash awards would have to be invested by the recipient companies in new plant, new products, export promotion, organic growth, and similar worthy causes. High-risk ventures and acorn enterprises would normally qualify for direct aid, provided they satisfied certain basic criteria; but the rules would not be applied oppressively. The project had better be administered by an experienced, imaginative, thrusting entrepreneur. Poetic justice, and his record, suggest that the job should go to Lord Keston.

Gerald Hensard, 65 Linton Crescent, Leeds, Yorks.

Travelling by train

From Mr. R. Downs

Sir,—What is happening to British Rail? In the middle of the month I travelled from the Midlands to Yorkshire and return and the following events occurred. At Sheffield I had to change trains and enquired from a porter on the platform, the details of the connection. He gave this to me courteously and concluded by saying that day. While waiting in the diesel train for the driver, he appeared alongside me and pleasantly wished me the time of day. At Leeds I had some luggage to leave for an hour or two while waiting for a train connection and enquired from the luggage attendant the most economical way of dealing with this. He offered change for my 50p and advised me to put it in one of the 20p lockers. He then followed me to the locker and carefully instructed me how to insert the luggage and made sure that I had put the money in the correct slot. On the train south from Leeds to Birmingham, the buffet car attendant was a lady, who when I arrived, was paying great attention to a middle-aged lady who was having difficulty

It beats flying

From Mr. P. Williams

Sir,—What a shameful thing it would be if British Rail feebly cancels the night sleeper to Paris as your report (March 27) suggests. It is a classic case of letting a service deteriorate and then saying "no one wants it so let us cancel it."

The Paris sleeper has two great merits over flying: for much of the year you can have your first meeting in Paris 90 minutes earlier than the first flight; and it offers a style wholly lacking in the air journey.

With some bracing up of the supervision, some adequate marketing of the advantages and at least a supper trolley, this could almost certainly be made profitable to both railways. You could continue, Sir, to be woken with breakfast in bed before rising to shave comfortably, dress and descend in a civilised manner. Your air travelling competitor struggled to check in by 06.00 at the hell that is Heathrow, is having a nasty cramp, and is delayed in flight. He will arrive much later than you and, crumpled, try to catch up.

Please exhort British Rail to try at least to improve and promote rather than let lapse this useful and pleasant service.

P. J. Williams, Cammington and Associates, Chesham House, 150, Regent Street, W1.

Trade unions and industry

From Councillor W. Williamson

Sir,—Your correspondent H. G. Bearston (March 21) has totally ignored the difficulties in which businesses which are capital intensive and their selves with the trade unions. Manning levels have to be agreed and the productivity of the new equipment can be much reduced by over-heavy labour costs. Also when expenditure on new plant has taken place the employer is much more vulnerable to labour disputes—an extended strike can destroy the capital base of the business.

It really is not surprising that many companies are less than eager to invest heavily in more productive machinery and that our competitors overseas with co-operative labour can show enormous increases in productivity to our eventual loss of business.

Trade unions really must tackle the problem. We cannot continue as a manufacturing nation without similar support from our workers. W. M. Williamson, "Carisbrook", 69, Hill Road, Porchester, Havts.

Today's Events

GENERAL

UK: Aston-Martin-led consortium trying to buy MG cars business meets BL management, London.

Rating and Valuation Association statement on new rate poundages and products.

Mr. Nicholas Fairbairn, Solicitor-General for Scotland, speaks at Maidenhead.

Electrical Power Engineers' Association annual delegate conference, Llandudno (until April 2).

One-day strike called by radiographers and therapists. Cunard announces new programme for QE2 world cruises.

British Psychological Society annual conference, Aberdeen.

Computer Aided Design conference and exhibition opens, Brighton (until April 2).

Overseas President Carter's revised Budget presented to Congress, Washington.

Sir Peter Gadsden, Lord Mayor of London, visits Tunis.

PARLIAMENTARY BUSINESS

House of Commons: Continuation of Budget debate.

House of Lords: National Heritage Bill, consideration of Commons reasons for disagree-

ing with Lords amendment.

Education Bill, third reading.

Import of Live Fish (England and Wales) Bill, second reading.

Debate on the Harrier programme.

Select Committee: Home Affairs Subject: The law relating to public order, processions and public meetings. Witnesses: Mr. Sydney Bidwell. Room 8, 5 pm.

COMPANY MEETINGS

See Financial Diary on Page 19.

COMPANY RESULTS

Final dividends: Attock Petroleum, BBA Group, Booker McConnell, Combined English Stores, The Dinkie Heel, Federated Land and Building, First Castle Securities, Freeman's (London SW9), Glynwed, House Property Company of London, The Low and Bonar Group, Macfarlane Group (Glasgow), Magnolia Group (Mouldings), Stanley Miller Holdings, Ocean Transport and Trading, Reed Executive, Interim dividends: Bryant Holdings, Elec Holdings, Newman, Tonks Group, Saga Holidays, Interim figures: Emses Lighting, Greencoat Properties.

Starting Today:

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The International Herald Tribune is expanding its business section. There's nearly twice as much news coverage on Mondays, including profiles of executives and companies behind the news, and background stories on economic trends and developments.

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Companies and Markets

UK COMPANY NEWS

Charterhouse Japhet confident for 1980

LOOKING TO 1980 and beyond, Mr. M. H. Wells, chairman of Charterhouse Japhet, tells shareholders the company feels confident in the prospects for the Charterhouse Group.

As known, profits for 1979 rose to a record £1.39m, compared with £949,000 for the previous 15 months, after tax and transfer to inner reserves.

As at December 31, the issue share capital was increased to £3m to £13m, and although this did not affect performance during the period, "we have strengthened our foundation for sustained growth in the future," Mr. Wells states.

The company has made substantial progress in most areas at home: the bank's position in the London market as a leader in the trading of gold coins, Kruggerands, Maple Leafs and Sovereigns helped to produce a record income.

The Export Finance division entered into contracts exceeding £20m, and established facilities with buyers in 38 countries—contracts confirmed included a turnkey dairy farm project in the North Yemen and sale of prefabricated bridges to a Venezuelan Government department.

"The positive trend of our earnings growth has continued in a period of uncertain economic outlook and provides encouraging evidence of our sound position in both domestic and overseas markets," the chairman states.

Balance sheet shows an increase in current deposit and other accounts from £101.8m to £153.6m. Loans, advances and other accounts totalled £53.9m (£47.2m). Money at short notice was £13.7m (£14.8m).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are in progress or not. The sub-divisions shown below are based mainly on last year's timetable.

TODAY	
Interim—Bryant Holdings, Eeco, Newmans, Tanka, Saga Holidays, Fines—Atock Petroleum, BBA, Booker McConnell, Combined English Stores, Dunlop, Federal Land and Building, First Castle Securities, Freeman (London S.W.8), Glynned, House Property, Low and Boni, Macfarlane Group (Cranston), Stanley Miller, Ocean Transport and Trading, Reed Executive, Rockware	April 1
FUTURE DATES	
Interim—Charterhall	April 2
Free State Goldfields Mines	April 3
President Brand Gold Mining	April 3
President Brand Gold Mining	April 3
Welkom Gold Mining	April 3
Western Holdings	April 3
Alva Investment Trust	April 4
Westwood	April 4
South Rand Gold Uranium	April 4
Warms Queensway	April 4
Investment Trust	April 4
Wynken (L.)	April 4
Wilkinson Warburton	April 4
Amended.	

Brokers pick likely retail winners

In a mammoth review of the retailing sector "Retailing in the Eighties" brokers Capel-Care Myers have selected seven stocks as the "likely winners" for the next decade.

However, the four-man analyst team at CCM is far from

enthusiastic about the food retailing sector. Among its "seven" there is just one food company, Associated Dairies, and that only rates as a "hold" compared with a "buy" for the other six—Burton, Comet, Harris Queensway, MFL, Mothercare and W. H. Smith.

Of the seven food retailers included within the survey of 42 companies only one is favoured as currently worth buying, Kwik Save is expected to show above-average profits growth for several years.

Early and Marriott downturn

A FALL of £154,811 in the second half at Charles Early and Marriott (Witney) pushed taxable profit for the year to February 1, 1980, down from a peak £560,048 to £411,147.

However, a reduced tax charge of £122,903, against £268,000, left the net profit marginally ahead from £262,048 to £288,244 and the net total dividend is being maintained at 2.212p by a 1.897p final.

Also, despite lower consumer spending and the mild winter depressing the blanket trade, the blanket and floor covering manufacturer's sales were up from £7.19m to £7.48m with 25.24m, compared with 23.04m, coming from the home market.

The company says that the strength of sterling led to a further surge of imports and reduced the competitiveness of the company's exports.

There was an extraordinary gain of £35,501 this time arising from the sale of surplus land and buildings. At year-end, contracts for new plant and machinery amounting to £18,000 (£18,000) had been placed.

Comparative figures have been restated to reflect changes in accounting policies on deferred tax and depreciation on buildings.

L & G pays windfall bonus

The with-profit policyholders of Legal and General Assurance Society are receiving a special windfall from this year's bonus declaration, besides getting higher reversionary bonus rates.

In addition to higher yields on the funds and success in controlling administration expenses, an improvement in the balance of liabilities and assets of the funds has enabled the Society to declare a special bonus of 10 per cent of attaching bonuses, excluding the current declaration.

The main benefit, therefore, will go to the longer-duration policyholders, but it would appear to be a one-off special payment.

On whole life and endowment assurances, including the Cashbuilder policy, the main

MINING NEWS

Rio Algom searches for uranium sales

RIO ALGOM, the Canadian uranium producer, in the Rio Algom-Zinc group, needs to find sales contracts for 13.7m lbs of uranium oxide to make good the loss last year of a long-term agreement with the Tennessee Valley Authority.

The TVA contract, repudiated in July, was for 17m lbs of uranium to be delivered between 1979 and 1980. An initial 0.5m lbs was sent to refiners on TVA's behalf, was recovered by Rio Algom and sold elsewhere. New contracts for 2.5m lbs have since been obtained and of this 0.5m lbs have been delivered.

Marketing programmes have been initiated to win more contracts, Mr. R. D. Armstrong, the chairman, said in the annual report just published. But he noted, "the general market for uranium is not strong."

The group's operating profits from uranium dropped last year by £313.7m to £343.3m (£16.7m), mainly because higher operating costs wiped out higher average prices.

Rio Algom, which now employs 1,200 men, is at Preston Mines, is fortunate to the extent that the greater part of its future production is covered by long-term contracts, the principal agreements being with Ontario Hydro, contracts in hand total 13.7m pounds.

As the Ontario Hydro contract — for 72m pounds — include a profit allowance, the group is in a sound position to withstand whatever uranium industry specialists concede will be a few thin years.

The search for replacements to the TVA contract is thus burdensome but not a matter of life or death.

In contrast, Mr. Armstrong, Rio Algom does have factors working in its favour. They are an "impeccable record of delivery performance," available capacity in operations already financed on stream, and long-established relationships with uranium users.

The future of Rio Algom, in any event, is assured—which is more than can be said for Mary Kathleen, the Rio Algom-Zinc group's Australian producer. The

Commonwealth Government is having little success in selling its 41.6 per cent stake. The company has so far failed to find any new ore deposits to compensate for its dwindling ore reserves.

Mary Kathleen is "intensifying its investigation of possible avenues of investment in the uranium mining industry," Mr. J. J. Liebelt, the chairman, said in his annual statement.

Malaysian Tin results

THANKS TO higher tin prices and increased production of tin concentrates, Malaysian Tin Dredging has lifted net profits for the six months to December 31 to M\$5.7m (£1.5m) from M\$5.9m a year ago when the second half lifted the 1978-79 total to M\$15.9m.

For the year to last June only one dividend of 105 cents (£1.4p), less Malaysian income tax at 40 per cent, was declared. But an interim of 235 cents was also declared for the current year to last June 30.

Killinghill Tin (Malaysia) reports a net profit of M\$2.28m for 1979 and is declaring a final dividend of 40 cents less tax to make a total of 100 cents. It is also proposing to make a one-for-one scrip issue to increase earnings are forecast for this year.

Southern Malaysian Tin also enjoyed higher metal prices in the past half year to Dec. 31 but tin concentrates production was lower. As a result the net profit for the period has fallen to M\$5.9m from M\$6.22m and the total for the year to last June of M\$11.66m.

Southern Malaysian is paying a second interim for the year to June 30 of 170 cents less tax and a further payment for the year is expected in due course. The first interim was 160 cents.

For the previous year to last June there was only one payment of 175 cents.

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Southern Malaysian is paying a second interim for the year to June 30 of 170 cents less tax and a further payment for the year is expected in due course. The first interim was 160 cents.

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Southern Malaysian is paying a second interim for the year to June 30 of 170 cents less tax and a further payment for the year is expected in due course. The first interim was 160 cents.

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For the previous year to last June there was only one payment of 175 cents.

Lucas interim results

The Group's unaudited results for the half-year to 31 January 1980 are:

	Half-year to 31.1.80 £million	Half-year to 31.1.79 £million	Year ended 31.1.79 £million
Sales to outside customers	587.15	510.14	1,991.36
Surplus on Trading	16.34	26.87	74.47
Share of profits less losses of associated companies	3.19	3.08	0.29
Interest payable less received	19.63	29.93	80.64
Profit before Taxation	7.21	5.84	9.90
Taxation	12.32	24.09	70.74
Profit after taxation	5.67	5.81	17.85
Minority interests	6.65	18.28	52.86
Profit attributable to Shareholders	1.04	53	1.06
Earnings per ordinary share	5.61	17.75	51.05
	5.90p	18.89p	54.39p
Depreciation charged in arriving at the surplus on trading	15.04	13.21	26.05

Notes:
1. All research and development expenditure incurred during the period amounting to £25 million (last year £19.5 million) has been charged in arriving at the above profits.
2. Taxation includes advance corporation tax on the interim dividends of £1.06 million (last year £1.19 million).
3. The cost of the interim dividends will be £2.47 million (last year £2.41 million).

Results
Turnover for the six months was £587 million, which was only £57 million more than the corresponding period last year. The Lucas share of the sales of Associated Companies, all of which are overseas, amounted to a further £50 million, giving a total turnover of £637 million (last year £571 million). Direct exports from the UK continue to grow and at £101 million were £15 million higher.

Profits before tax for the six months at £12.32 million was very disappointing and compared with £24.09 million last year. The reduction in profit all arose in the UK where a loss of £1.8 million was made. Our European and Overseas Companies produced better results — even after a translation reduction of £3.1 million arising from the stronger sterling rate. The UK result was seriously affected by the Engineering Unions' strikes which, as stated at the Annual General Meeting, cost £20 million in profits and demand in the UK was reduced by a number of other industrial disputes in the UK motor industry. There is competitive pressure on UK export prices due to the high wage settlements in the UK. Despite this, our companies have been successful in obtaining new contracts which include the large contract to supply fuel injection equipment to the US. Our aircraft equipment company is now performing better and has an order book of over £200 million.

Lucas Prospects
There are now some indications of a recovery from the very difficult conditions which we have experienced in the UK in the first half of the year but stable industrial relations here will be essential to achieve a more satisfactory performance.

Dividends
The interim dividend for the year ending 31 July 1980 will be paid on 15 May 1980 at the rate of 2.5p per ordinary share. This rate compares with 2.5674p per ordinary share paid last year. The interim dividend on the redeemable preference shares will be 3.3p per share (last year 3.8511p).

BERNARD SCOTT, Chairman

Lucas

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

Company	1979 Dividend	1978 Dividend	% Change
1000's capitalisation			
3,738	65	2	6.7
725	29	3	3.8
7,780	256	10	13.5
800	3	15.3	19.1
6,765	38	4	5.0
1,397	100	2	12.8
14,447	100	2	12.8
2,257	108	1	16.5
1,750	114	2	7.2
15,734	230	5	31.3
3,223	216	1	14.3
3,098	216	1	14.3
2,075	76	—	12.0
6,137	47	1	3.6
12,132	84	4	4.4
4,254	184	2	12.1

† Accounts prepared under provisions of SSAP 15.

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rate for deposits received not later than 15.4.80:

Terms (years)	3	4	5	6	7	8	9	10
Interest %	14 1/4	14 1/4	14 1/4	14 1/4	14 1/4	14 1/4	14 1/4	14 1/4

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 387). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

THE UNITED STATES DEBENTURE CORPORATION LIMITED

Extracts from the Directors' Report.

Year Ended 31st January, 1980

Main Features	1980	1979	% Change
Gross Revenue	£5,571,247	£5,041,848	+10.0
Per Ordinary 25p Stock Unit:-			
Earnings - Basic	5.81p	4.23p	+37.6
Earnings - Fully diluted	5.77p	4.19p	+37.7
Dividend	4.00p	4.00p	0.0
Net Assets	£86,634,829	£88,308,219	-1.9
Net Asset Value per Ordinary 25p Stock Unit:-			
Basic	118.9p	121.6p	-2.2
Fully diluted	118.7p	121.1p	-2.3
* Includes a special dividend of interim dividend of 0.80p			

INTERNATIONAL BONDS

BY FRANCIS GHILES

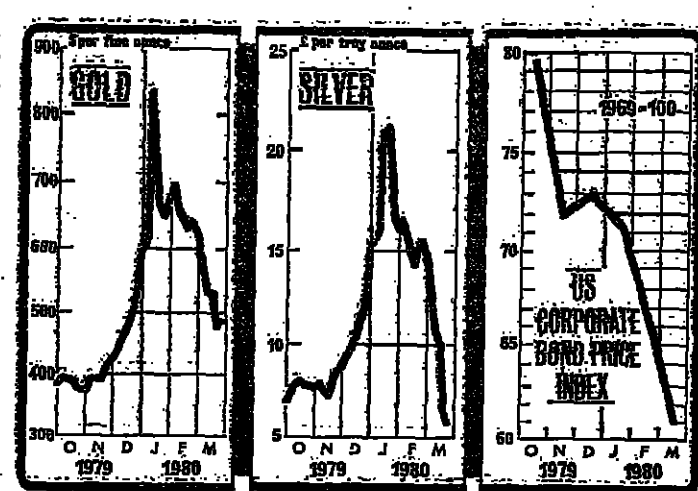
Bleak news on all fronts

LAST WEEK brought more than its fair share of bad news, especially from the U.S. Treasury, which has \$3 billion outstanding. The shares of some of the largest Wall Street brokerage houses, were suspended following the collapse in the price of silver.

Finally, on Friday a number of U.S. banks raised prime lending rates to 19 1/2 percent. Meanwhile, all major sectors of the Eurobond market remained virtually in a coma, with the level of trading so thin some days as to appear non-existent.

Investors appear to have decided that, after the past few months of wild speculation in every other commodity available and the heavy paper losses sustained by most bond holders, it is best to sit tight and derive income from deposits, rather than seek any increase in capital value.

The leading point of the week was, without doubt, the first \$250m tranche of the proposed \$250m 34-year "top" dollar issue for the Kingdom of Sweden. The issue was offered last Thursday on the basis of a 15 1/2 percent yield; the coupon on this issue, which is managed by S. G. Warburg and Salomon Brothers, is 15 1/2 percent and the final price 99 1/2.



The yield was very much what some bond houses had expected, about 90 basis points above the yield on three-year U.S. Treasury bonds. The bond, which is split into \$25,000 denominations, rather than the more usual \$5,000, was aimed squarely at institutional investors. With selling and underwriting commissions totalling a grand 5 percent, it was not surprising that many underwriters based in continental Europe said they had little retail demand for the paper.

Demand in London was greater with many underwriters apparently receiving tight allocations. Yet there was no scramble for the paper in the open market, and some leading banks underwriting the issue described demand for this bond as "spotty." Others said that it had a good reception.

On Friday, the bonds were trading at 99 1/2 and many underwriters were puzzled as to the exact strength of demand.

One of the managers suggested, however, that the book had been oversubscribed by about 75 percent.

The appearance of the Sweden issue did give rise to some very lively swapping business. To quote but two of many examples of bonds which investors sold

to buy Sweden ones: the 84 percent SNCF bond to April 1983 was yielding a solid 90 basis points less than 15.50 percent while the 84 percent Norway bond to April 1983 was yielding 71 basis points less. The volume of swapping was all the greater as the number of straight dollar bonds which mature in 1983 and which offer yields below 15.50 percent is quite large.

The fact remains that central banks and some large institutions were the major buyers of the Sweden bond; they would appear to view it more as a money market instrument than

would raise fixed interest rate funds may be in for a shock. This goes for countries as well. One only has to add up the needs of France, Norway and Sweden this year—to name but a few sovereign borrowers who have great borrowing needs—to make some bankers cry out in pain.

At the same time few of them can see investors being coaxed back into buying paper when short-term interest rates look set to remain so high. Last year's sobering experience suggests that bond houses will think twice before bringing an issue to the market which they well know they cannot place quickly.

The cost of carrying paper in inventory today precludes some of the more rash underwriting decisions of yesterday.

The new issue foreign D-Mark market remains virtually closed. Only one bond issue is being made until late April and this has already been completed. LHM arranged a DM 200m private placement through Deutsche Bank and Salomon Brothers which offers a record yield to the investor of 10 percent. Sentiment in this sector was helped last Thursday and Friday by the keen reception accorded to the latest domestic bond for the Federal Government which offers a record yield.

How well placed the Sweden bond really is matters to a lot of people and not just in the bond houses. Borrowers are following the market closely. Indeed, the thought that sends a shudder down the spine of many new issue managers—and some dealers—is the long queue of borrowers, both corporate and sovereign, waiting for the new issue market to reopen. Those in the market who believe that no sane corporate treasurer

of a powerful foreign bank talked to a sternly, cut their (the Bank of England) come down too hard, foreign banks could go elsewhere.

The use of short-term deposits—and particularly, interbank deposits—to fund long-term roll-over loans is the basis both of the Eurocurrency loan market and of most observers' fears about it. The liquidity discussion paper tackles this practice head-on. It lists the percentages of each type of liability which must be matched by liquid assets. It takes a particularly rigorous line on interbank funding. Thus, while 25 percent of deposits of three to 12 months maturity must be held in liquid form, market deposits from banks of up to one month must be 100 percent matched by liquid assets. Such deposits

are thus, effectively, unavailable for loan funding.

This liquidity paper has arrived just in time to take over from the "Governor's request" as the talking point among international banks in the City. This was the request made last November that banks should not avoid the effects of the "corset" by arranging finance outside the UK.

The request will expire on June 18 and the relevance of this request with it. At that point international banks will be able to choose freely between Eurosterling, domestic sterling and foreign currency swaps in raising finance. The new constraint will then be the guidelines—and the contract between these and the "Governor's request" is a nice reminder of the new era of more formal UK bank regulations which has now started.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	m. Amount	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
Chicago O'Hare Fin. (Grand Chicago)	200	1982	2 1/2	—	100	Citicorp	—
Sweden	250	1983	3 1/2	15 1/2	99 1/2	S. G. Warburg, Salomon Bros. Nikko Secs.	15.339
DM MARKS							
Deutsche Bank	20	1986	6	10	100	Deutsche Bank	10.000
FRANC FRANCS							
EDF (Grand France)	400	1985	5	14 1/2	—	CCF, Paribas, KIC	—
SWISS FRANCS							
Austria	25	1983	3	6 1/2	100	Kreditbank (Suisse)	6.750
Norway	25	1985	5	7	100	Kreditbank (Suisse)	7.000
Norway	25	1985	5	7	100	Daiwa (Europe), SBC	6.750
Deutsche Bank	30	1985	—	—	—	Paribas (Suisse)	—
STERLING							
Swedish Export Credit Corp.	20	1985	5	15 1/2	100	Hambros	15.250

* All yields are based on a 360 day year. ** Placement. † Floating rate note. ‡ Convertible. § Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. Note: Yields are calculated on AIBD basis.

U.S. BONDS

BY DAVID LASCELLES

Interest rates to go still higher

WITH THE effect of the Fed's credit tightening measures still to make itself fully felt in the credit markets, interest rates performed some spectacular gyrations last week. But the underlying trend still seems to be upwards. Bond yields continued to edge higher and some short-term rates hit new peaks.

The biggest influence on the short-term market was the Fed's apparent willingness to tolerate a sharp rise in the key Fed funds rate. As pressures mounted, the Fed steadily pushed its upper intervention limit to greater heights: 18 percent, then 19 percent, until it did its final weekend repurchase orders on Friday at 19 1/2 percent.

This suggested that the Fed must have set a new upper limit of around 20 percent at its March 18 Open Market Committee meeting. Its previous published limit was 18 1/2 percent.

But the market seems to be divided over what this means. Some people say this is not so much a tightening as an effort to accommodate the strong credit pressures which were largely created by the Fed's White House anti-inflation package. These pressures will mount this week as the banks start putting up the new required reserves, and the Fed may well have to supply funds

U.S. INTEREST RATES		
	Week to Week	Mar. 28 Mar. 21
3-month T-bill	14.45	15.20
3-month Comm. Paper	16.80	16.75
Fed Fund weekly avg.	18.25	18.21
Treas. 20-year Bond	12.48	12.17
Long-term AAA Utility	14.75	13.50
Long-term AAA Indust.	13.75	13.00

Source: Salomon Brothers.

to the market to prevent short rates getting completely out of hand.

However, other observers, including Mr. Henry Kaufman at Salomon Brothers, believe the Fed is striving to gain control over the money supply, which was running ahead of target in the first weeks of this month. But these concerns may have eased with the latest figures last Friday. These showed sharp drops of well over a billion dollars in the two principal measures, M1-A and M1-B, which brought their growth closer to the target level.

The market was hit by a lot of bad news last week: consumer prices rose 1.4 percent in February and the trade deficit rose sharply. But it was able to ride this, mainly because the fall in commodity prices (with the highlight on the collapse of silver) pointed to some easing of price pressures in the future. The drama in the silver market also helped government securities as investors sought a haven for funds. Furthermore, the dollar was strong.

The prime rate also rose on Friday, to a split 10 1/2 to 10 3/4 percent. The feeling in Wall Street is that this rate will peak at 30 percent, although in today's confused atmosphere this view may be based as much on hunch as science.

The market is still looking out anxiously for signs of the recession which, it hopes, will bring an improvement.

TOP LEAD MANAGERS IN THE EUROBOND MARKET

	Amount \$m	No. of issues	Market share %
1-Deutsche Bank	230	6	17.6
2-CIBC	232	4	8.4
3-UBS	251	5	7.2
4-Nikko Secs.	203	2	5.8
5-Paribas	200	1	5.2
6-Societe Generale	200	1	5.2
7-S. G. Warburg	155	3	4.5
8-Deutsche Bank	144	2	4.1
9-Credit Bank	143	2	4.1
10-Weiss	115	1	3.7

All public issues of straight bonds, FRNs and convertibles completed between January 1 and March 28 with full amount credited to lead manager or share between joint lead managers.

BANKING REGULATION

BY NICHOLAS COLCHESTER

Steering between safety and severity

LATER THIS week, barring some last-minute hitch, the Bank of England will publish lists of the names of deposit-taking institutions in the UK. The development will mark the second phase of the Bank of England's new statutory control of the banking business.

But this division will remain far from complete. Besides lists of banks which have already been assigned one or other classification, there will be a long list of applicants—some of them last minute, some prestigious, some both being processed. They cut off the continuing taking deposits until the Bank has decided their status.

Within weeks of the publication of the lists, the UK's first

deposit protection scheme will go into action. It will be paid for by an obligatory levy from both classes of deposit taker. The Deposit Protection Board will guarantee a depositor up to 75 percent of the first £10,000 of his deposit.

Both classes of deposit taker will be regulated under three sets of criteria which have gradually evolved in the period since October 1, 1979, when the Bank of England took formal charge of the UK banking business. These relate to capital adequacy, to the liquidity of a bank's assets and to foreign exchange exposure.

The proposed guidelines for capital adequacy have been under discussion since last summer. The final version could be published in a matter of weeks. It has become clear in the annual reports of a number of international banks operating

in the City that they have had to bolster their capital in order to meet the ratios demanded by these emerging guidelines.

The discussion papers on the criteria for foreign exchange exposure and liquidity have been published more recently—the latter only a week ago—and it will be months before either crystallises into its final form.

The foreign exchange guidelines replace the Bank's formal powers of supervision under the now-defunct Exchange Controls. The discussion paper envisages to limit any bank's aggregate exposure in foreign exchange and gold to 10 percent of its capital base—or 3.5 percent for any one currency.

A number of banks say that they have quibbles with the foreign exchange paper, but these appear muted compared with the initial reaction provoked by the discussion docu-

ment on liquidity. One senior bank talked to a sternly, cut their (the Bank of England) come down too hard, foreign banks could go elsewhere.

The use of short-term deposits—and particularly, interbank deposits—to fund long-term roll-over loans is the basis both of the Eurocurrency loan market and of most observers' fears about it. The liquidity discussion paper tackles this practice head-on. It lists the percentages of each type of liability which must be matched by liquid assets. It takes a particularly rigorous line on interbank funding. Thus, while 25 percent of deposits of three to 12 months maturity must be held in liquid form, market deposits from banks of up to one month must be 100 percent matched by liquid assets. Such deposits

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FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR		Change on			
STRAIGHTS	Issued	Bid	Offer	day	Yield
Alcoa 5.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 6.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 7.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 8.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 9.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 10.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 11.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 12.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 13.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 14.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 15.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 16.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 17.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 18.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 19.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 20.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 21.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 22.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 23.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 24.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 25.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 26.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 27.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 28.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 29.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 30.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 31.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 32.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 33.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 34.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 35.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 36.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 37.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 38.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 39.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 40.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 41.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 42.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 43.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 44.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 45.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 46.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 47.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 48.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 49.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 50.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 51.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 52.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 53.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 54.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 55.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 56.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 57.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 58.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 59.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 60.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 61.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 62.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 63.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 64.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 65.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 66.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 67.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 68.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 69.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 70.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 71.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 72.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 73.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 74.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 75.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 76.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 77.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 78.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 79.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 80.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 81.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 82.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 83.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 84.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 85.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 86.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 87.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 88.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 89.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 90.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 91.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 92.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 93.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 94.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 95.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 96.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 97.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 98.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 99.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 100.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 101.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 102.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 103.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 104.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 105.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 106.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 107.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 108.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 109.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 110.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 111.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 112.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 113.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 114.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 115.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 116.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 117.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 118.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 119.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 120.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 121.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 122.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 123.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 124.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 125.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 126.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 127.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 128.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 129.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 130.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 131.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 132.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 133.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 134.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 135.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 136.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 137.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 138.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 139.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 140.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 141.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 142.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 143.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 144.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 145.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 146.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 147.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 148.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 149.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 150.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 151.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 152.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 153.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 154.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 155.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 156.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 157.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 158.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 159.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 160.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 161.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 162.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 163.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 164.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 165.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 166.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 167.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 168.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 169.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 170.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 171.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 172.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 173.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 174.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 175.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 176.5 8 1/2	50	91 1/2	92 1/2	+0 1/2	13.80
Alcoa 177.5 8 1/2	5				

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This is what TAIC can do for you in the Arab Markets.

TAIC is a unique financial institution in as much as it is owned by fifteen Arab Governments, and staffed with Arab and international experts.

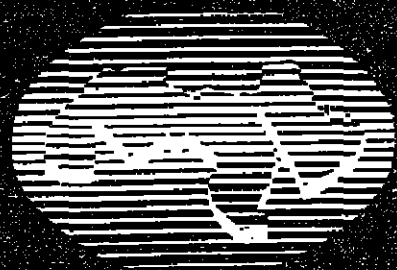
Its objective is to develop any profit making scheme geared to the growth of the Arab World.

Financing and risk sharing in both private and public sector projects; securing contacts at the highest political and business levels; Minimizing risks through professional knowhow and area expertise, this is what we can do for you.

We can mix the ingredients of success into an active profit-making solution.



We can mix the ingredients of success into an active profit-making solution.



THE ARAB INVESTMENT COMPANY S.A.A

19

NIPPON YUSEN KAISHA

■ Head Office: Tokyo, Japan ■ London Branch Office: Beaufort House, 15 St. Botolph Street, London, EC3A 7NR., England Tel: (01) 286-2999 Telex: 884200
 China Ocean Shipping Co., Ltd. Raffles Quay, Singapore Tel: 254-1111 Hong Kong Tel: 250-1111

Commonwealth of Australia

Twenty Year 5 1/2% Bonds due May 1, 1985

To the Holders of the above described Bonds:

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Bonds of the above-described issue, Morgan Guaranty Trust Company of New York, as Sinking Fund Agent, has drawn by lot for redemption on May 1, 1980, at 100% of the principal amount thereof through operation of the Sinking Fund, \$323,000 principal amount of said Bonds as follows:

OUTSTANDING COUPON BONDS OF \$1,000 BEARING THE DISTINCTIVE NUMBERS ENDING IN ANY OF THE FOLLOWING TWO DIGITS:

04	24	52	99
813 813 3713 5113 6113 10113 12113 13113 14113 15113 16113 17113 18113 19113 20113 21113 22113 23113 24113			

ALSO THE FOLLOWING REGISTERED BOND

Bond Number	Principal Amount	Amount Selected for Redemption
24	\$21,000	\$2,000

The Bonds bearing the numbers above specified will be released and paid on and after May 1, 1980, at the principal amount thereof, upon presentation and surrender of such Bonds at the option of the holder either (a) at the Corporate Trust Office of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, N. Y., or (b) subject to applicable laws and regulations, at the main offices of Morgan Guaranty Trust Company of New York in Antwerp, Brussels, Düsseldorf, Frankfurt (Main), Munich, London or Paris, or the Reserve Bank of Australia in London, or Amsterdam-Rotterdam Bank N.V. in The Netherlands or Banque Générale du Luxembourg S.A. in Luxembourg. Payments at the offices referred to in (b) above will be made by check drawn on a bank in New York City, or by a transfer to a United States dollar account maintained with a bank in New York City.

Coupons due November 1, 1980, and subsequent maturing coupons should be attached to coupon bonds being redeemed: coupons maturing on May 1, 1980, should be detached and presented for payment in the usual manner.

From and after such redemption date no interest shall accrue upon or in respect of any such Bonds called for redemption as aforesaid.

COMMONWEALTH OF AUSTRALIA

March 31, 1980

NOTICE

The following Bond previously called for redemption has not as yet been presented for payment:

21313

EUROBONDS

The Association of International Bond Dealers Quotations and Yields appears monthly in the Financial Times.

It will be published on the following dates in the remainder of 1980.

April 14, May 12, June 11,

July 14, August 12,

September 15, October 14,

November 11, December 16

There is a limited amount of advertising space available each month; if your company is interested in taking advantage of this offer please contact:

The Financial Advertisement Department on
01-248 8000 Ext. 424 or 389

APPOINTMENTS

London Discount Market Association chairman

Mr. R. J. Petherbridge has been elected chairman of the LONDON DISCOUNT MARKET ASSOCIATION from tomorrow in succession to Mr. J. F. E. Smith. Mr. M. R. Toynebec becomes deputy chairman. Mr. Petherbridge is the senior managing director of the London Discount Company of London, and Mr. Toynebec is the chairman of Jessel Toynebec and Co.

Following the takeover of the Thames and General Lighterage Company by OCEAN TRANSPORT AND TRADING, changes have been made in senior management of the river activities within Ocean's Port and Coastal Services Unit. Mr. Gerard Ney, formerly managing director of Mercantile Lighterage, becomes managing director, River Activities. Mr. David Allen has been made general manager and director of Mercantile Lighterage. Mr. Jeremy Leathers, formerly managing director of Mercantile Lighterage, is now executive director of the river activities and is responsible for Cory Lighterage and New Caledonian Wharf. Mr. Charles Blakey, managing director of Cory Barge Works since 1967, has relinquished his post but has been retained on a consultative basis. Mr. W. Weatherhead has been appointed acting general manager in his place. Other appointments in the river companies are: Mr. D. Patterson, general manager, New Caledonian Wharf; Mr. E. Fletcher, operations manager, Mercantile Lighterage; Mr. J. Hofmeister, commercial manager, Mercantile Lighterage; Mr. A. LeBeau, plant manager, Mercantile Lighterage; Cory Lighterage; Mr. H. D. Richardson, marketing manager, Mercantile Lighterage; and Mr. B. Lewis, works manager, Cory Barge Works.

Dr. W. A. Taylor has been appointed director of research of MILES LABORATORIES succeeding Dr. Harry Collier, who continues to work full-time for Miles as senior research consultant.

Following the appointment of Mr. G. C. Chouffot as deputy chairman of the CIVIL AVIATION AUTHORITY from April 1, Mr. Roy Worthing has been appointed group director, safety services, and Mr. Pat Walker becomes director-general, operations.

Mr. Alexander Dawson has been appointed director and secretary, and Mr. Ronald Stott, a director and general manager, of SMITHS SHIPREPAIRERS.



Mr. R. J. Petherbridge

NORTH SHIELDS. Mr. Fred Brown, a director of the parent company, Gosforth Industrial Holdings, has been made a non-executive director of the subsidiary.

Mr. Jack R. Craig has been appointed as managing director, RCA record division, RCA LIMITED (UK). He was senior vice president and general manager of Columbia Records at CBS Inc.

Mr. E. W. Williams has become chairman of DORMIE MEN'S WEAR (ENGLAND) and Mr. C. C. Duppa-Miller, chairman of FOSTER BROTHERS CLOTHING manufacturing division.

Mr. J. A. Green, general manager and actuary of NATIONAL EMPLOYERS' LIFE ASSURANCE COMPANY, has been appointed joint chief executive with Mr. L. C. T. Cottrill, who will be relinquishing his executive duties at the end of this year. Mr. M. R. Field has become actuary in succession to Mr. Green.

Mr. Michael Bendix, senior local director of Barclay's Bank's Chelmsford local head office, has been elected a member of council of the ROYAL AGRICULTURAL SOCIETY OF ENGLAND.

Following his appointment to the Board of Reed International, Sir Keith Skinner, chairman and chief executive of IPC BUSINESS PRESS, is to delegate overall responsibility for journal publishing in that division to Mr. Bryan Hope, who will be designated chairman of journal publishing.

publishing. Mr. Hope will continue in his present positions.

Mr. K. R. Ellis has been appointed a director of ROBERT FLEMING & CO. Mr. A. M. Golding and Mr. M. Hope become managers of Robert Fleming's Investment Management and Mr. G. S. Merville has been made a manager of Investment Trust Services. The appointments are effective from tomorrow.

Mr. Alan E. Harding has been appointed, from April 1, as a regional director of the Central London regional Board of LLOYDS BANK under the chairmanship of Sir Peter Matthews. Mr. Harding retired in December last year as manager of the City office of Lloyds Bank.

Mr. Akira Kato has been appointed by the INTERNATIONAL AIR TRANSPORT ASSOCIATION as regional director for Asia and the South Pacific from May 1 on the retirement of Mr. Roy McGowan. Mr. Kato joins IATA from Japan Air Lines.

Mr. David Money-Chapple and Mr. Barton Mendelsohn have joined the Board of LAND-LESS CONTAINERS of Cambridge.

Lord Hunt of Tanworth today succeeds Sir Patrick Reilly as chairman of BNP LIMITED, the London member of the Banque Nationale de Paris group.



Lord Hunt of Tanworth

Monsieur Gilbert Géas also retires from the post of managing director to become chairman of the group's new Californian subsidiary, Bank of the West. He is succeeded as managing director of BNP Limited by Monsieur Michel Berger, who was formerly general manager.

INSURANCE

MP's foray which cannot be ignored

BY OUR INSURANCE CORRESPONDENT

IN THE Commons there is a rule, known as the 10-minute Rule, which gives the ordinary MP the opportunity to speak on his chosen subject and perhaps gather support from fellow members. With that support, he can launch a bill on to the Parliamentary production line. Bills that get so launched are normally reckoned to have less chance of success than private members' bills, for which time is usually allocated on Fridays. Their casualty rate is high enough.

So immediately no one need get anxious about the Insurance Policyholders' Protection Bill, launched a fortnight or so ago by Mr. Greville Janner, Labour MP for Leicester West, under the 10-minute rule. No Parliamentary time is to be allocated for its second reading before July. This means the bill is virtually doomed to extinction—a fact of life accepted by Mr. Janner, who at this stage is clearly only trailing his coat.

But Mr. Janner's bill is a sign of the Parliamentary times. Insurers can expect more serious reformative steps will be taken perhaps by Government, probably by private members in the next session, which starts in October. So Mr. Janner's foray cannot be ignored.

In brief, his bill would remove the effect of certain exclusion clauses in insurance policies, would remove insurers' right to avoid liability for non-disclosure of certain information and would amend the law to provide further protection for policyholders.

In putting forward his bill at this time, Mr. Janner is deliberately preventing both the soon to be issued Law Commission report on non-disclosure and warranties (following publication of Working Paper 73 last year) and the consideration which insurers are giving suggestions of the Director-General of Fair Trading that the three-year-old statements of insurance practice are due for reappraisal. Mr. Janner and his supporters are clearly concerned more

with the private buyer of insurance than with the commercial customer. Not even he would seriously suggest such terms as "all risks" and "comprehensive" are capable of being misunderstood in the commercial context.

Nevertheless, in his 10-minute spot at Westminster, Mr. Janner reiterated this, unoriginal criticism of insurance terminology.

Moving his attack to substance rather than form, Mr. Janner said the disclosure rule was "archaic and wrong." At this stage, one must be charitable and again assume he was thinking mainly of the private buyer. For the bulk of Britain's considerable overseas insurance business is conducted on these "archaic and wrong" principles and their subversion would clearly prejudice a volume of that business.

Moreover, Mr. Janner reckons insurers should not have escaped the clutches of the Unfair Contract Terms Act in 1977. He would like to see the law amended to bring insurance contracts within its scope.

But three years ago the then Labour Secretary of State told the Commons insurers had a "very strong case" for being outside the Act. Surely nothing has changed in the meantime? If it was right then for insurers to publish statements of practice then, at worst, as Gordon Borrie suggests, the scope of those statements should be reconsidered.

Of course, Britain cannot go it alone. One substantial criticism of the Law Commission's recommendations in Working Paper 73 was that the commissioners substantially ignored likely European reform.

Argument on EEC directives takes a long time, but all potential legislators must ensure our insurance law is not subjected to a series of short-term changes to the detriment both of the ordinary policyholders and the market's overseas trade.

Award for spacecraft man

THE MAN who sent two robot spacecraft on an interplanetary voyage of discovery is to receive a top British award.

Mr. Raymond L. Heacock, manager of NASA's Voyager Project at the California Institute of Technology's Jet Propulsion Laboratory, will visit London in June. He will be presented with the

James Watt International Medal, the foremost award conferred by the Institution of Mechanical Engineers.

The two craft, Voyager I and Voyager II, were launched in 1977 and have surveyed Jupiter and its moons. They then moved towards Saturn and it is hoped they will take in the two outer planets, Uranus and Pluto.

COMPANY NOTICES

KLEINWORT BENSON (JAPAN) FUND

Securities Anonymous
Lancashire, 2 rue Notre-Dame
R.C. Luxembourg B8-25

Notice of Meeting

Messrs. Shareholders are hereby convened (attend) the Annual General Meeting which is to be held on April 9th, 1980 at 4.00 p.m. at the offices of Kleinwort Benson & Co., Luxembourg, 25, Boulevard Royal, Luxembourg, with the following agenda:

Agenda

1. Submission of the reports of the Board of Directors and of the Statutory Auditors.
2. Approval of the financial statements for the year ended 31st December 1979.
3. Payment of a dividend.
4. Discharge of Directors and of the Statutory Auditors in respect of the carrying out of their duties for the year ended 31st December 1979.
5. Ratification of the co-optation of Mr. S. Lissas as a Director.
6. Receipt of and action on nomination for election of Directors and the Statutory Auditors for a new statutory term.
7. Directors' remuneration.
8. Miscellaneous business as may properly come before the Meeting.

The Board of Directors

Financial Times Conferences

World Pulp and Paper Conference

Helsinki — April 28 and 29, 1980

The opening address will be given by Mr. Esko Rekola, Minister of Foreign Trade, Finland.

World Banking

Singapore — June 2 and 3, 1980

The opening speaker at this important annual conference, to be held this year in Singapore, will be Mr. S. Dhanabalan, Minister of State for Foreign Affairs, Singapore. Other distinguished speakers will include Mr. Roberto Ongpin, Minister of Industry, Philippines; Mr. James R. Greene, President, American Express International Banking Corporation, New York; Mr. Don Mentz, Director, Asian Development Bank, Manila and Enck Malek Ali Merican, Group Director of Corporate Affairs, Sime Darby Holdings Limited, Kuala Lumpur.

The conference will be supported by The Banker and Business Times, Singapore.

All enquiries should be addressed to:

Financial Times Limited
Conference Organisation
Minster House, Arthur Street
London EC4R 9AX

Tel: 01-621 1355
Telex: 27347 FTCONF G
Cables: FINCONF LONDON

Union Corporation Limited

(Incorporated in the Republic of South Africa)

Notice to Holders of Share Warrants to Bearer (Unicorp Bearers)

SCHEME OF ARRANGEMENT

On 25 February 1980 notice was given of a scheme of arrangement proposed by General Mining and Finance Corporation Limited (GENMIN) and its scheme members and of the scheme meeting and general meeting to be held on 19 March 1980.

These meetings were duly held and the necessary resolutions were passed by the required majorities of scheme members. Subsequently the scheme of arrangement was sanctioned by the Supreme Court of South Africa (Witwatersrand Local Division) and it became operative on 25 March 1980.

The listings of UNICORP's shares on The Johannesburg Stock Exchange, The Stock Exchange, London and The Rhodesian Stock Exchange, terminated with effect from the close of business on 25 March 1980. The committees of the Johannesburg Stock Exchange and the Council of The Stock Exchange, London have agreed to list, as from 27 March 1980, the GENMIN shares to be allotted and issued to scheme members.

Holders of UNICORP Bearer warrants electing to receive GENMIN shares in exchange should arrange for their warrants to be lodged on or after 1 May 1980 at any of the addresses listed below, together with Talon No. 7 and unused Coupons Nos. 132/136 inclusive in accordance with instructions to be advertised on 10 April 1980.

London—Union Corporation (UK) Limited, Princes House, 95 Gresham Street London, EC2V 7BS.

Paris—Lloyds Bank International (France) Limited, 48 boulevard des Capucines, 75061 Paris Cedex 02, France.
Credit du Nord, 6 & 8 Boulevard Haussmann, 75009 Paris, France.

Zurich—Credit Suisse, Paradeplatz 8, 8001 Zurich, Switzerland.

Basle—Swiss Bank Corporation, 1 Aeschenvorstadt, 4002 Basle, Switzerland.

Holders of UNICORP Bearer warrants who wish to receive registered shares in GENMIN should complete reconversion forms, copies of which are available from the London office and continental agents. Share certificates in GENMIN on the basis of 4 Genmin shares for every 5 Unicorp shares surrendered will be available 28 days after receipt by the London office of the necessary documents.

Fractions will be sold on The Stock Exchange, London and the proceeds paid to those entitled to them.

per pro UNION CORPORATION (UK) LIMITED
London Secretaries
L. J. Baines
Princes House
95 Gresham Street
London EC2V 7BS

26 March 1980

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Birmingham Motor Show (0602 51202) (until April 8)	Bingley Hall, Birmingham
Current	British International Footwear Fair (01-437 8734) (until April 1)	NEC, Birmingham
Current	GLASSEX '80 Glass and Technology Exhibition (01-353 4885) (until April 2)	NEC, Birmingham
Apr. 3-9	National Boys and Girls Exhibition (0532 820361)	Alexandra Palace
Apr. 8-10	Educational Equipment Exhibition (01-247 9326)	Harrigate
Apr. 15-19	Ideal Home Exhibition (0273 31280)	City Hall, Hull
Apr. 17-20	Typing (vehicles) Convention and Exhibition (01-357 9711)	Harrigate
Apr. 19-21	Optifair '80 (01-405 8101)	Earls Court
Apr. 21-25	International Fire, Security and Safety Exhibition —IFSSC (01-388 7861)	Olympia
Apr. 22-May 2	International Machine Tool Exhibition—MACH 80 (01-402 5671)	NEC, Birmingham
Apr. 28	International Food and Wine Exhibition (06234 2442)	Exhibition Centre, Leeds
Apr. 28-May 1	Audio Visual Exhibition (01-688 7783)	Wembley Conference Centre
May 2-5	Spring Motor Cycle Show (04866 74987)	Bingley Hall, Birmingham
May 3-6	Boat Show (0273 68733)	Exhibition Centre, Bristol
May 3-5	National Collectors Exhibition (01-629 4917)	Kensington Town Hall

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	British Aviation Equipment Exhbn. (01-215 7877) (until April 5)	Shanghai
Apr. 7-10	World Fabric Fair (0532 488611)	Geneva
Apr. 12-15	MODEXPO '80 International Ladies Fashion Fair	Zurich
Apr. 15-19	Transport—Expo '80 (01-486 1951)	Paris
Apr. 16-24	Hanover Fair (01-631 2191)	Hanover
Apr. 21-25	World Tobacco Exhibition (0737 68611)	Nice
Apr. 21-26	Scientific and Measurement Apparatus Exhibition (INSTRUMAT) (01-235 5422)	Brussels
Apr. 24-28	Perfumery and Cosmetics Exhibition	Bologna
Apr. 29-May 2	Biochemical and Instrumental Analysis Exhibition (ANALYTICA) (01-486 1851)	Munich
May 2-9	Salon International du Textile et du Cuir (01-584 8827)	Casablanca
May 6-8	Compe Europe Exhibition (01-261 8000)	Brussels
May 7-11	Scandinavian Furniture Show (01-540 1101)	Copenhagen
May 10-13	International Trade Fair for Optometry—OPTICA (01-409 0956)	Cologne

BUSINESS AND MANAGEMENT CONFERENCES

Apr. 1-3	FT Conference: The Future of Sugar (01-236 4382)	Grosvenor House, W1
Apr. 1	ESC: Advances in Microprocessor Applications for Food Manufacturing (057-282 2711)	Cavendish Conference Centre, W1
Apr. 1-2	Flight International: Fuel Economy in the Airlines (01-643 8040)	Royal Aeronautical Society, W1
Apr. 10-11	Brussels University: Coping with Conflict and Management Change (0895 56461)	Uxbridge
Apr. 11	Oyez—IBC: Media Research and the Advertiser—The Unexploited Factor (01-242 2451)	Hilton Hotel, W1
Apr. 14	Oyez—IBC: Consumer Credit Act 1974: New Orders and Regulations (01-242 2451)	Hilton Hotel, W1
Apr. 15	IPS: Controlling Purchasing Costs in an Inflationary Climate (0890 23711)	London Press Centre
Apr. 16	CCC: Residential Property for Profit (01-222 6362)	Hilton Hotel, W1
Apr. 16-17	Food Manufacturers' Federation 8th Annual Conference: Food for Growth (01-836 2480)	Grosvenor House, W1
Apr. 9-11	Leeds University: Manpower in Transport—Future Prospects (0532 35036)	Leeds
Apr. 14-16	UKAEA (NCST)/Turnkey Software: Data Management for High Technology Industries (02407 3410)	Southport
Apr. 15	Chiltern Personnel Consultants: Practical Salary Administration (04946 4822)	Gerrards Cross
Apr. 15-16	M. G. Howitt & Ass.: Sales Promotion—Building Products and Services (0533 730400)	RIBA, W1
Apr. 16	Netherlands-British Chamber of Commerce: Holland—a profitable base for international operations (01-405 1368)	Accountants Hall, EC2
Apr. 16	IPS: Waste—Reclamation or Disposal (0890 23711)	Carlton Tower, SW1
Apr. 18	Oyez: Zero Base Budgeting—A Priority Planning Approach to Controlling Overheads (01-242 2451)	Carlton Tower, SW1
Apr. 18	Gower: 1980 Employment Bill ... and After ... A New Direction for Industrial Relations? (01-242 9455)	Royal Garden Hotel, W3
Apr. 18	CCC: New U.S./UK Double Tax Treaty—its Substances and Implications (01-222 6362)	Hilton Hotel, W1
Apr. 21-23	Oyez: London Insurance Conference (01-242 2451)	Grosvenor House Hotel, W1
Apr. 22	Gower: Trading with Zimbabwe (01-242 9455)	Waldorf Hotel, WC2
Apr. 23	ESC: Solving the Problems of Trade Unions in the Hotel and Catering Industries (057382 2711)	Cumberland Hotel, W1

The war that never ends

We British are a peaceful people. When a war is over we like to consign it to the history books — and forget it.

But for some the war lives on. The disabled from both World Wars and from lesser campaigns, now all too easily forgotten; the widows, the orphans and the children — for them their war lives on, every day and all day.

Every year, of course, there is help from a pension. But there is a limit to what any Government Department can do.

This is where Army Benevolence steps in. With understanding. With a sense of urgency ... and with practical financial help.

It is a privilege to help these brave men — and women, too. Please will you help us to do more? We must not let our soldiers down.

The Army Benevolent Fund

For soldiers, ex-soldiers and their families in distress
Dept. FT, Dept. of Ex-Servicemen's HQ, London SW3 4SP

AUTHORISED UNIT TRUSTS

[illegible][illegible]

OFFSHORE OVERSEAS FUNDS

[illegible]

Continued on previous page

15A

INDUSTRIALS—Continued

[illegible]**INSURANCE—Continued**[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]**PROPERTY—Continued**[illegible]

Oct.	Winston Ests. ...	49	24.9	1.75
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INVESTMENT TRUSTS—Contd.

Month	Day	Stock	Price	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000
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FINANCE, LAND—Continued[illegible]

POSITIVE

[illegible]

July	Feed Lot 2	295	5.1	8.5	2.7	7.5
July	Feed Lot 2	295	28.7	76.5	2.7	9.8
July	Feed Lot 2	295	10	43.5	1.7	5.5

[illegible]

July	Jeppia	43	19.11	3.0	4.0	10.0
Oct.	Kenning Mtr.	60	23.7	5.5	3.0	13.0
May	Lex Service Gr.	83	24.3	7.0	0	12.0

[illegible]

TEXTILES

[illegible]

Sept.	1934	Do. Cap. 10p ..	134	—	—	—	—
July	1935	Do. 2nd Dist. Inc. 10p	82	10.12	16.85	1.0	11.9
		Do. 3rd Dist. Inc. 10p	227	—	—	—	—

[illegible]

— Rightwise top — 277 — — —

[illegible]

Percentages in parentheses indicate 10 per cent or more of the total. Figures are based on "all" distribution. Covers are based on the number of copies of the publication. Figures are based on the number of copies of the publication.

[illegible]

INSURANCE

[illegible]

Jan.	Sept.	Carrington	120	10.9	11.35	2.3	1
Apr.	Oct.	Citrovincial 20p.	280	19.11	12.23	2.6	1
Aug.	Jan.	Chesterfield	280	10.12	16.66	7.8	2

Dec.	Church of the	83	23.2	3.0	
Apr.	City Office	116	10.0	12.19	6.1
Sept.	City Office	116	10.0	12.19	6.1
July	Clarke, Nicholas	35	28.28	11.6	2.0
July	Control Sec.	44	11.0	10.63	2.0
Jan.	Con Exchange	42	10.3	0.65	1.0
July	Con Exchange	42	10.3	0.65	1.0
Apr.	City New 10p.	112	28.3	11.17	2.6
Oct.	City New 10p.	112	28.3	11.17	2.6
Nov.	City New 10p.	112	28.3	11.17	2.6
May	City New 10p.	112	28.3	11.17	2.6
Mar.	City New 10p.	112	28.3	11.17	2.6
Sept.	City New 10p.	112	28.3	11.17	2.6
June	City New 10p.	112	28.3	11.17	2.6
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Feb.	Archimedes Int. ..	88	28.12	9.7
	Do. Cap. 50p ..	41	—	—
June	Armory (ny. (\$A1)	104	5.11	0.12

7.7	Aug.	Mar.	Ashtown Ind.	128	112	85.6	7.6	6.2
028	Jan.		Atlanta Bank, Top.	91	191	12.3	1.7	1.2
	Nov.		Atlantic Assets.	162	21	10.95	4.0	3.3
	Dec.	Jan.	Atlas Elect.	61	22	2.18	1.3	1.2
	Oct.		Aug. & Int. (50p)	92	10	3.3	1.0	1.0
29.9	N.F. May/Jul.		Bankers' Inv.	548	1	1.2	1.2	1.2
6.1	Dec.		Berry Trust	85	1	1.2	1.2	1.2
14.5			Richmond Prop.	58	1274			
56.8	Nov.	June	Bichopside Tst	186	51	106.95	1.0	5.1
13.7	May	Dec.	Bond & Sals. Inc.	55	5.71	2.2	1.7	5.7
24.3			Basel P.L.A. Cdn.	US\$8	-	1044%	1.0	1.4

15.6	Dec.	July	Fashion & Gen. Sp.	185	28.12	551	1.3
19.3			Fitzroy Invest...	20#	574	-	
			Managers Trans	51	112	12.95	2.1

0.9	Feb.	Aug.	Hawaii	23	—	—	—	—	—
0.4	—	—	Hampden Twp. So.	39	24.6	—	—	—	—
0.9	Jan.	Mar.	Hamp. Par. S. 51	33	—	—	—	—	—
5.3	26.2	—	Ind. In. Tel. Jy. El	32	15.2	06.0	0	—	—
5.2	25.8	—	Investment Co.	330	23.8	41.5	2.1	—	—
5.2	25.8	—	Kaladur 151	70	28.1	100.00	—	—	—
7.5	24.7	—	Kaladur 100	123	26.2	8.5	7.6	—	—
2.1	21.5	—	Kic. Can. L. 10	122	26.5	8.5	7.4	—	—
—	—	—	Kic. S. Taylor 10	130	11.2	10.0	5.17	—	—
—	—	—	Koratu 100	21	24.9	1.84	0.91	—	—
—	—	—	Lanset 100	24	27	8.3	2.8	—	—

May	Nov.	Union Corp. 6.25c	570	243	406.2
Sept.	Mar.	Vogels 21.2c	220	112	Q16c

[illegible]

22	Tube Invest.	27	Costa
16	Unilever	40	Loma
12	U.P.T.	4	Rio

"Recent Issues" and "Rights" Page 22

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Consortium proposes new MG Cars deal

By John Griffiths

THE ASTON MARTIN consortium has given up its efforts to acquire the MG Cars name from BL. Instead, at a meeting in London today with BL's managing director, Mr. Ray Horrocks, its leaders will seek a deal to make the MGB sports car under licence at Abingdon.

Mr. Alan Curtis, Aston Martin's chairman, said last night his consortium had agreed to go ahead "as hard as possible" to conclude such a deal.

At the same time, he said, he "failed to understand" why BL withdrew a suggestion it made just over three weeks ago, that the consortium and BL might set up a British sports car company, in which the consortium would build MGs to be marketed jointly with BL's Triumph sports cars and Jaguars.

The company would have been owned 40 per cent each by BL and the consortium, with the remaining 20 per cent held by outsiders.

"It was BL who promoted the idea, and it was a highly sensible one," BL indicated yesterday that while it had thought the idea at least worth examining, it had concluded it could not be made viable and that its own losses in the company's first year would have exceeded \$14m.

Mr. Curtis said last night: "I don't see how BL could have completed its financial analysis without detailed consultation with us; and we weren't consulted."

BL's negotiators apparently felt this was not necessary. "They wouldn't need to be consulted," said one executive yesterday. "Aston Martin sells an exotic, very low volume product. They've got no experience of selling in this type of sports car market and what contribution could they make to an appraisal of it?"

If a licensing deal were agreed, Mr. Curtis made clear that BL would have to agree to supply components for at least two years. The car will also have to be re-engineered with BL's "O" series unit by spring of next year to meet U.S. legislative requirements.

Neither requirement would appear to present an insurmountable hurdle to a licensing agreement. In particular, much of the development work to fit the new engine has already been done, and an agreement now would leave enough time to meet the U.S. deadline.

Oil rig disaster cause sought

BY RAY DAFTER IN LONDON AND FAY GJETER IN OSLO

OIL INDUSTRY and Government officials have started urgent investigations into the capsizing last Thursday night of the North Sea oil rig Alexander Kiehl.

Yesterday the severed leg of the stricken rig was being towed back to Norway from the Edda Field, scene of the worst disaster in the history of the offshore oil industry.

Marine construction experts hope the leg will give them a clue to the cause of the disaster, which led to the loss of 123 lives. Another body was recovered on Saturday night, bringing the total number of dead found to 41. Another 82 are missing. The rescue operation saved 89 workers.

The international search operation in the North Sea was called off when darkness fell on Saturday, although vessels in the area have been asked to keep extra watch.

Speculation about the cause of the disaster is concentrating increasingly on the possibility of material failure as a result of

metal fatigue. According to one report, the rig was being hauled away from the Edda Field production platform when the accident occurred, suggesting that a brace could have snapped under the strain of this operation and the impact of heavy seas.

Although the rig lacked its own propulsion machinery and had to be towed over long distances, it could alter position locally by hauling in the anchor chains on some of its legs and letting them out on others. This could have put stress on the whole structure.

Until the cause has been identified, safety organisations will be reviewing the integrity of all semi-submersible rigs, particularly those of the pentagonal design of the Alexander Kiehl.

Vessels that have been adapted from their original exploration configuration will come under particular scrutiny. The Alexander Kiehl had been converted from a drilling rig into a "floating hotel."

One question being asked in the industry last night was whether the additional weight resulting from these conversions causes rigs to become more unstable in the event of an accident.

Mr. David Howell, the UK Energy Secretary, has asked the Norwegian Petroleum Directorate for a meeting to discuss aspects of the disaster, life-saving arrangements and co-ordination of rescue services. Energy Department officials said that the request resulted from a search for information and did not reflect uneasiness about the rescue operation.

Mr. Howell has also asked operators of pentagonal rigs to make a comprehensive safety check of the vessels, particularly around the legs and deck support structures. Three oil companies—Union Oil, Total and Amoco—operate pentagonal rigs in UK waters.

No definite plans have been devised for moving the wrecked rig itself. The task is urgent,

because it lies in the middle of a triangle of sub-sea pipelines and could damage them if it comes adrift.

Towing the rig away will present problems because the drilling tower is believed to be resting on the seabed and may have to be cut away before the platform can be moved.

With the rescue operation abandoned, Phillips Petroleum, operator of the Ekofisk complex which includes the Edda Field, has begun raising production levels.

Fields in the complex had been shut down as a precautionary measure, with the result that at one point oil from the Ekofisk fields was flowing at less than half the normal 500,000 b/d.

Yesterday afternoon output was up to 440,000 b/d, although Edda remained shut down. Edda has been yielding 40,000 b/d recently, but will remain inoperative until the stricken rig is towed to shore, probably in the next day or two.

Italy's economic growth likely to halt, says OECD

BY DAVID WHITE IN PARIS

ECONOMIC growth in Italy is likely to halt in the second half of this year, with the unemployment rate rising above 8 per cent, the Organisation for Economic Co-operation and Development says in its annual report on Italy published today.

After an estimated rise of nearly 5 per cent in gross domestic product last year, growth of demand and output will probably weaken in the first half. Activity may show an absolute decline in the rest of the year.

The cost of living is expected to rise by an average 19 per cent. The rate may be slower in the second half than the first, after being pushed up by higher public utility charges. This compares with an average 14.8 per cent annual increase last year.

Real wages are expected to rise by about 1 per cent, compared with 4 per cent in 1979, showing a faster rise in the public than the private sector.

Private productive investment may remain comparatively firm, after improved company profits and a high level of orders in some sectors. But it is expected to start falling in the second half. The building sector is expected to remain depressed.

The OECD warns that the outlook is uncertain and the downturn could be sharper and inflation worse than its forecasts indicate.

Third time

It is the third time in six years, it says, that the authorities face the prospect of Italy's recovery being interrupted.

Export growth forecast at 4.5 per cent, will be limited by the slowdown in world demand. Imports may level off and even decline in volume in the second half.

But with deteriorating terms of trade, the foreign trade balance is likely to show a deficit of some \$5bn (£2.3bn), compared with less than \$1bn in 1979.

However, a steady income

from invisibles promises to keep the current balance of payments in the black, although less substantially than last year. The OECD forecasts a current balance surplus of \$1.5bn, compared with \$6bn.

This reduction is regarded as normal in the context of the current deficit for the whole OECD area. But the report warns against disguised capital movements brought about by exchange rate expectations, which risk producing "violent swings" in current account figures, as they did after the first oil crisis.

The Government may need to tighten monetary policy further, the OECD says, emphasising the need to control domestic sources of inflation. It suggests adjusting the operation of the wage indexing system and calls for further efforts to curb public spending and fight tax evasion.

In particular, it criticises the level of assistance to public enterprises, which runs the risk of distorting market forces and limiting productivity gains.

Consumer council 'too political'

By David Churchill

A SHARP rebuke to the State-financed National Consumer Council for being too politically motivated was made yesterday by Mrs. Sally Oppenheim, Consumer Affairs Minister.

Mrs. Oppenheim told delegates to the Council's consumer congress meeting in Sheffield yesterday that the organisation was taking an "overly political view" in discussing the Government's economic policies.

Mr. Jeremy Mitchell, the council's director, stressed yesterday that the council was not politically motivated. However, he said it was important for it to consider economic issues which had a direct relevance to consumer interests.

There was some support among delegates at the congress for Mrs. Oppenheim's views. They voted economic issues lowest on the council's list of priorities. Energy issues were considered the most important.

Mrs. Oppenheim's comments also reflected some grass roots Conservative Party opinion which is critical of the consumer council's economic comments. But it seems unlikely that the Government will consider withdrawing the council's grant which amounts to more than £300,000 a year. Most of the grant pays the council's administration and staff costs.

Background, Page 5

Engineering reform support grows

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

SIR KEITH JOSEPH, Industry Secretary, will shortly have to weigh up the growing evidence from industry which favours some form of statutory body for the engineering profession against his own reluctance to involve Government.

The Finniston Report, which recommended the government set up such a body, is the main subject for discussion at the meeting of the National Economic Development Council on Wednesday.

Sir Keith's submission to the council will fall far short of the commitment to implement Finniston demanded by the TUC and many leading industrialists.

Sir Keith will tell the council his department is still in consultation with industry, the professional engineering institutions, and academic bodies, and that the Government intends to indicate its response to Finniston in the summer.

He will also ask for the views of council on the recommendations in the report.

Three-quarters of the 200 companies approached by the

department in January have replied. They nearly all support the view that there must be changes in the organisation of the profession, leading to a greater contribution by engineers to the health of manufacturing.

Some of the major engineering companies support the creation of an Engineering Authority as recommended by Finniston, with members appointed by the Industry Secretary. They include GEC, Ford, BL, GKN, the Electricity Council and the Post Office.

Others support the idea of an authority, but one that is more independent of Government. Some suggest that it should be responsible to the Privy Council, an idea that is also being canvassed by the Institution of Mechanical Engineers.

When Finniston was published, Sir Keith emphasised that the Government's dislike of quangos and their cost to the State would not prejudice his consideration of the report's recommendations but he is believed to have increasingly distanced himself from the report.

Continued from Page 1

Steelmen's rise

Engineers warned on behalf of the craft unions that the offer just would not work. The BSC could not carry out its plans for retrenchment and efficiency without a workforce whose "morale, confidence and determination" had not been restored.

The industry was losing skilled men, had an ageing population and was struggling to fend off Third World competition while European steel-makers were "rubbing their hands with delight."

Other public service workers had been given pay rises in excess of the steelworkers' claim without being compelled to make the sacrifices demanded of steel workers.

Mr. Bill Sims, general secretary of the ISTC, said the agreed productivity document to which the committee will now put a value meant many sacrifices by unions at both national and local level. Those sacrifices could not be rendered unless there was a "satisfactory outcome."

Lord Levey appeared to pour cold water on the unions' claim that the fact that they had for the first time negotiated jointly was itself worth some-

thing in cash terms. Lord Levey was flanked by Sir Richard Marsh, the nominee of the corporation, and Mr. Bill Keys of SOGAT, representing the unions. Sir Richard time and again stressed the need of the corporation to find savings to meet steelworkers' wage aspirations and reminded the inquiry that BSC was heading for a loss of over £400m this year against £300m last year.

Mr. Keys latched on to the argument about permanent joint negotiating machinery, declaring that he would like to add a rider to the committee's findings about future bargaining.

Awards for Fleetwood men

TWO MEN who helped to save Fleetwood's fishing industry during its deep crisis last year, have received special awards from the National Dock Labour Board.

Only six of the highly prized awards are made each year for service to the dock industry. The Fleetwood men are the board's local manager, Mr. Larry Wilkins and fish merchant president Mr. Harry Fairbottom.

New look at state industry financing

BY ANATOLE KALETSKY

MAJOR REFORMS in the financial control of the nationalised industries and in the definition of public sector borrowing are to be considered by the Government.

A special joint group of senior officials and nationalised industry Board members is being established to investigate three long-standing proposals for loosening the financial relationship between Government and State corporations.

The joint group's first meeting is expected to take place towards the end of April. It will squeeze on the public sector. The treatment of nationalised industries in the public accounts and the possibility of segregating categories of public expenditure and from the Public Sector Borrowing Requirement.

● Nationalised Industries' Chairman's Group's worries about the present methods for setting the cash limits which govern the industries' external financing restrictions.

● Present restrictions on the industries' sources of finance. At present all nationalised industry borrowing comes within the definition of public spending and is strictly controlled by cash limits. As the public sector has tightened, the state corporations have argued that their borrowing, required to finance productive investment, should not be treated in the same way as spending on non-marketed public consumption.

They have complained that rigid adherence to short-term cash limits has interfered with long-range planning. They say

potentially profitable investment opportunities have been foregone or delayed because of restrictions in their access to private capital markets.

Whereas there is understood to be scepticism in official quarters about the chances for any substantial reforms, Ministerial statements suggest the Government may be more sympathetic to the nationalised industries' line of thinking. The Chancellor has been personally involved in the discussions leading up to the decision to establish the joint group.

Nationalised industry financing contributed £2.3bn in 1979-1980 to total public spending as it is presently defined. Last week's White Paper forecast a transformation of the industries'

net deficit into the net surplus of £400m by 1983-84. Thus, the cosmetic effect of removing the nationalised industries from the definition of public spending would be an immediate reduction in the totals. This, however, would all but eliminate the gradual decline in spending over the next four years which the Chancellor announced.

The group's first meeting is to be headed by Mr. Bill Ryle, Second Permanent Secretary at the Treasury. The nationalised industry side will be represented by chairmen and board members for finance of several state corporations. It is hoped the joint group's conclusions will be ready for the next round of public expenditure planning decisions in the autumn.

Chairman's group has new head, Page 4

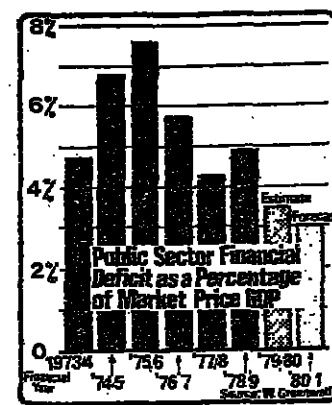
Weather

UK TODAY
 RAIN, SHOWERS, cloudy, with dry and sunny intervals. Temperatures near normal. London, S.E., C.S., N.W. and C.N. England, E. Anglia, E. and W. Midlands.
 Rain, becoming showery with bright or sunny intervals developing. Max. 10C (50F). Channel Isles, S.W. England, S. Wales.
 Sunny intervals, showers drying during evening. Max. 11C (52F).
 Lake District, Borders, N.E. England, S.W. Scotland, Glasgow, Argyll.
 Cloudy, heavy rain at times, extensive hill fog. Max. 9C (48F).
 Isle of Man, N. Ireland.
 Cloudy, rain at times. Max. 10C (50F).
 Edinburgh, Dundee, C. Highlands, N.W. Scotland.
 Dry, becoming cloudy, rain later. Max. 9C (48F).
 Outlook: Unsettled.

WORLDWIDE

Place	Temp	Wind	Pressure
Ajaccio	18	10	1015
Algiers	19	10	1015
Amman	19	10	1015
Athens	16	10	1015
Bahran	31	28	1015
Batavia	17	10	1015
Bombay	27	10	1015
Buenos Aires	15	10	1015
Calcutta	27	10	1015
Cairo	15	10	1015
Cardiff	15	10	1015
Cebu	27	10	1015
Colon	27	10	1015
Copenhagen	7	10	1015
Dakar	15	10	1015
Dhaka	27	10	1015
Dublin	15	10	1015
Edinburgh	15	10	1015
Hankow	15	10	1015
Hong Kong	27	10	1015
Kobe	15	10	1015
London	15	10	1015
Lyons	15	10	1015
Manila	27	10	1015
Medan	27	10	1015
Metz	15	10	1015
Moscow	15	10	1015
Mumbai	27	10	1015
Nairobi	15	10	1015
Naples	15	10	1015
Norwich	15	10	1015
Osaka	15	10	1015
Paris	15	10	1015
Perth	15	10	1015
Prague	15	10	1015
Rangoon	27	10	1015
Riyadh	15	10	1015
Rome	15	10	1015
Salt Lake City	15	10	1015
Singapore	27	10	1015
Siracusa	15	10	1015
Sofia	15	10	1015
Taipei	27	10	1015
Tehran	15	10	1015
Tokyo	15	10	1015
Tripoli	15	10	1015
Urumchi	15	10	1015
Warsaw	15	10	1015
Wellington	15	10	1015
Yokohama	15	10	1015

THE LEX COLUMN If the Government stops borrowing



The personal sector must run down its savings, whether because pension schemes find themselves over-funded and so reduce the man in the street to confident enough to borrow heavily (and thus dis-save). As the City's response to the Budget shows, the markets will take some persuading that all this can happen.

Inflation accounting

Later today the Accounting Standards Committee will publish the final version of its current cost accounting method, to be launched as SSAP 16. This will mark the eventual success of the committee in producing an inflation accounting standard, though it has only been achieved by years of argument punctuated by several notable setbacks.

The final result is certainly well worth having, but it bears the scars of a lengthy and painful negotiation. In picking its way through a minefield of commercial and academic minefields, the committee has inevitably, with something which calls for a long way short of theoretical purity.

The full details have yet to be revealed, but it is no secret that the new standard is little changed from the draft version published as ED 24. So it will retain the curious gearing adjustment which serves to reduce the impact on profits of the current cost adjustments for cost of sales and depreciation but does not by any means reflect the full benefits to shareholders from the decline in the real value of net monetary liabilities.

It is an odd mixture of specific and general price level accounting, and the committee has failed to tackle the question of so-called cash equivalents: companies which have a large cash balance will be able to avoid the effects of inflation on their assets in the balance sheet.

And... all the arguments over details, the accountants have overlooked the need to put pressure on companies to make simple adjustments of past data to a common price basis—the sort of thing which is taken for granted in, for instance, the national income accounts.

Under SSAP 16, company accounts will continue to compare this year's pounds with last year's and five and ten year records will continue to present a wholly misleading picture; a point to which the Americans have given high priority in their new inflation accounting standard FAS 33.



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